


STRONGER ECONOMY

#eu4business

Armenia 

Azerbaijan 

Belarus 

Georgia 

Republic of Moldova 

Ukraine 



EU4Business

Investing in SMEs in the Eastern Partnership

ANNUAL REPORT
JUNE 2019



10 YEARS 
EaP | Eastern
Partnership



EU4Business

Strategic Priorities



1

IMPROVING ACCESS
TO FINANCE



2

STRENGTHENING POLICY AND
REGULATORY FRAMEWORKS



3

IMPROVING KNOWLEDGE
BASE AND BUSINESS SKILLS



4

IMPROVING ACCESS
TO MARKETS

STRONGER ECONOMY

#eu4business

Table of contents

Foreword	2
Executive Summary	4
List of Acronyms	8

CHAPTERS

CHAPTER 1:

Recent developments in EU4Business	10
1.1 Introduction to EU4Business	10
1.2 The EU4Business strategic framework	12
1.3 The EU4Business portfolio	14

CHAPTER 2:

Achievements of EU4Business	24
2.1 The four priority areas of the EU4Business Initiative	25
2.2 Improving access to finance through tailored lending facilities	29
2.3 Improving knowledge base and business skills through trainings and consulting services	36
2.4 Bringing SME policies and legislation in line with the SBA	46
2.5 Boosting women entrepreneurship through EU4Business	52
2.6 Impact of EU4Business on SME growth	56
2.7 DCFTA and EU4Business – overcoming the challenge to enter new markets	60
2.8 Conclusions - main achievements of the EU4Business Initiative	63

CHAPTER 3:

EU4Business Initiative – the way forward	68
3.1 Introduction	68
3.2 Reflections from the consultative processes across the region	68
3.3 Strengthening EU4Business – further enhancing support for SMEs	70
3.4 Conclusion – future of EU4Business support	74

ANNEXES

A EU4Business list of projects and programmes by priority area	76
B Key performance indicators	88
C Details on data sources	93



Foreword by EU Commissioner Johannes Hahn

Investing in SMEs in the Eastern Partnership

This year marks the 10th anniversary of the Eastern Partnership and a decade of cooperation to bring stability and prosperity to the region. In those ten years, I am proud to see that our joint efforts are turning citizens' legitimate aspirations for a better life into reality. Our partnership is geared towards the future, and what matters is to make a difference in our everyday lives: to be able to work, to travel, to start a business, to give an education to our children, to live in a safe and secure environment. Economic development plays an essential role in achieving this, and all through the past decade we have been working to develop stronger, diversified and vibrant economies across the region.

Small businesses are crucial to building modern economies and creating jobs, thanks to their capacity to innovate and adapt to fast-changing markets. Supporting small- and medium-sized enterprises (SMEs) to achieve their full potential is therefore a priority for the economic development of the region. Concretely, we are giving SMEs access to investment and we are increasing trade opportunities to open up new markets (in particular the EU market) to them. We are also helping them to acquire the skills needed, by providing the know-how that will enable SMEs to develop and expand. Lastly, we are supporting a favourable regulatory environment in which the private sector can grow, creating jobs and prosperity for all.

Our EU4Business Initiative provides the tools to achieve concrete results in this sector, which were set out in the 20 Deliverables for 2020 agreed between the EU and the Eastern Partner countries in 2017.

As we mark the 10 years of the Eastern Partnership, and as we enter the final year to meet our 2020 Deliverables, we can reflect on the significant progress that our Eastern Neighbours have achieved with the support of EU4Business.

Over the past 10 years, EU4Business has provided €2.5 billion worth of loans to almost 80,000 SMEs, of which €713 million in loans to 15,000 businesses was provided in the past two years alone. Significantly, local currency

lending (one of the 2020 Deliverables) began to show the first strong results in 2018. Local currency lending allows SMEs to borrow without facing foreign exchange risk, and I am happy to say that our target for half of EU financial support to SMEs to be provided in their own currency was reached at the end of 2018, well ahead of our 2020 deadline.

But our outreach to SMEs is not limited to providing finance: knowledge transfer and capacity building are essential to private sector development and job creation. In 2018, over 8,500 people working in small and medium enterprises, business organisations and partner financial institutions benefited from training, while over 27,000 attended events organised under the EU4Business Initiative.

This support has a real impact for citizens and the economy: since the end of 2016, EU4Business actions supported almost 100,000 jobs in SMEs and led to 15,000 brand new jobs being created – again well ahead of the 2020 target of 60,000 jobs created and/or sustained.

An essential precondition for SMEs to grow and prosper is the existence of an adequate policy and regulatory framework, an area in which our Eastern neighbours have demonstrated sustained commitment to reform. EU4Business has supported governments in this area with policy advice and capacity building, and the results have been impressive. Efforts to improve the regulatory framework have led to 137 new laws being drafted in the period 2009-2018, 72 of which are already implemented, with most of the reforms taking place in the past two years alone. The improved climate was recognised by the World Bank's Doing Business Report 2019, which shows that all six Eastern Partner countries increased their ease of doing business score since 2016, with Georgia now ranking sixth in the world!

Looking forward, we can still achieve a lot together. Small and medium enterprises in the Eastern Partner countries still play a relatively modest role when it comes to contributing to employment and GDP, compared to those in the EU.

Critical issues remain, such as improving access to finance for SMEs. The EU will continue to provide support in that sense, going beyond the €100 million pledged at the Eastern Partnership Summit in Brussels and aimed at making local currency lending even more accessible to companies across the six countries. The business climate is still not ideal, and further efforts are needed to improve it; a stronger governance for a favourable economic environment is necessary and judicial reforms in particular need sustained attention. For SMEs in the EaP region to be able to reap the full benefits of the EU market, they will need to increase their competitiveness on a global scale.

Another challenge relates to the added value that these SMEs produce, which is still quite low in the region, due to low financial and business skills. Enhancing SME capacities to become more innovative and to connect to new markets is especially relevant today, as some SMEs have been cut off from their traditional markets.

We have already achieved a lot. Let us now keep the momentum to improve further the economic resilience of our partner countries, to support trade with the EU and to deliver a concrete and positive impact in the lives of all citizens.

Johannes Hahn



Commissioner for European Neighbourhood Policy
and Enlargement Negotiations

www.ec.europa.eu





Executive Summary

10 years of the Eastern Partnership

2019 is the year that the European Union, Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine mark the 10th anniversary of the Eastern Partnership. Launched as a joint initiative, the Eastern Partnership aims at economic integration and convergence of the six Eastern Partner countries with EU policies, strengthening energy security, promoting democracy and good governance, as well as developing people-to-people contacts.

On 14 May 2019, the 10th anniversary of the Eastern Partnership was celebrated with a high level conference in Brussels followed by many other events in each of the Eastern Partner countries. These events have widely shared the achievements of the last ten years in the EU's relationship with its six Eastern Partners. They also started discussions on the future strategic direction of the partnership.

"The Eastern Partnership is fundamentally a future-oriented partnership for the citizens and with the citizens, firmly focused on what is important for them. Together we are working towards stronger economies, stronger governance, stronger connectivity and stronger societies."

President of the European Commission, **Jean-Claude Juncker**

10 years of EU4Business

This year (2019), the EU4Business Initiative is 10 years old and therefore deserves some special attention. Under this EU flagship initiative, the EU and its Eastern Partner countries are working together to develop stronger, diversified and vibrant economies across the region. To pay a tribute to the immense work done by the European Union and its partners in the last decade, we have published a Jubilee Report¹ highlighting the milestones in the development of EU4Business over the years.

At the same time, the EU4Business Secretariat, established to support DG NEAR, is pleased to present its third EU4Business report. The first and consolidated report covering the period 2009-16 was published in 2017, and reviewed the EU4Business Initiative since its inception. 2018 saw the publication of the first annual report, and now the 2019 Annual Report continues the practice of reviewing not only the year that has passed, but also reporting on the achievements of EU4Business over the whole span of its existence.

Issued in a special year, the 2019 Annual Report offers more than just a review of the past year; it offers an extensive presentation of the main features of EU4Business and its performance over a decade. More than **400 programme and project documents**, especially progress reports of implementing partners, have been reviewed. **Focus Groups** with the participation of SMEs in each of the Eastern Partner countries took place in the spring of 2019. Following a well-established practice, six **roundtables** were organised in the capital cities of Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine, where many EU4Business stakeholders had the opportunity to reflect on past experience and discuss future developments. This Annual Report reflects the views of **more than 230 SME owners, implementing partners, national authorities, business support organisations**, and others.

In the decade since it was launched as the Eastern Partnership SME Flagship Initiative in 2009, EU4Business (as it was rebranded in 2016) has continuously evolved to match the EU's strategic priorities. Starting as an umbrella for **three EU-funded regional programmes in 2009**, it has grown to include bilateral assistance projects that directly target SMEs and business support organisations (BSOs) in partner countries. Significantly, with its DCFTA Facility for SMEs, created in 2015, EU4Business responded to the challenges and opportunities that businesses face in Georgia, the Republic of Moldova and Ukraine.

¹ The EU4Business Jubilee Report is officially presented at the EU4Business General Assembly on 28 June 2019.

The current² EU4Business portfolio of **49 projects accounts for an EU commitment of €417 million**, which has triggered a **total EU4Business budget of over €3 billion**. Out of these, 40 projects are ongoing, with €384 million of EU commitment, and 9 projects, with EU funding of €33 million, have been completed.

Some **25 bilateral projects** were included in the EU4Business portfolio between 2015 and 2019 to complement the regional programmes. This came as a response to the recommendation of the Riga Summit in 2015 to apply a differentiated and tailored approach to each of the six Eastern Partner countries.

Today, EU4Business works with **21 partners**, among them various international organisations such as the EBRD, the EIB, KfW, the OECD, the World Bank, ITC, UNDP and others. **In 2009**, when the Initiative was launched, **there were only three partners**.

Latest dynamics of the EU4Business portfolio

In the reporting period (2018), an additional **six projects have been added to the EU4Business portfolio**, highlighting the evolution of the initiative to encompass local actions at bilateral level. At the same time, the renewed support to the European Fund for Southeast Europe (EFSE) for the period 2018-2039 provides a significant boost to **local currency lending** to micro and small enterprises (MSEs) – one of the key 2020 Deliverables. The upcoming EaP Trade Helpdesk project to be implemented by the ITC will contribute to increased trade at intra-regional level, as well as between the Eastern Partner countries and the EU.

The two EU4Business priority areas, **facilitating access to finance and improving knowledge base and business skills**, are represented by 17 and 20 projects

EU4Business performance in 2018

Analysing results across all programmes and projects implemented during 2018, the EU4Business Initiative shows an increased dynamic and substantial achievements.

- **6,024 SMEs have received loans** from Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) through supported EU4Business programmes.
- **Over 960 SMEs have received loans** from Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) through the **DCFTA Facility** programmes.
- **4,870 women-led SMEs have received loans** from Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) through supported EU4Business programmes.
- The **value of loans** disbursed to SMEs by PFIs and IFIs accounted for **over €315 million**.
- The total **value of loans** disbursed to SMEs by **DCFTA Facility** programmes accounts for **almost €192 million**.
- The total **volume of loans/guarantees/capital investments** to PFIs for on-lending to SMEs **in local currency was over €220 million**. The lending in local currency represents more than 50% today.
- **Over 8,500 people** from SMEs, PFIs and BSOs have been **trained or coached**, and **over 27,000 people** have **attended events** organised under the EU4Business initiative.
- **290 women entrepreneurs received training** through supported EU4Business programmes.
- **Over 66,000 jobs** in SMEs have been **supported** and **almost 6,000 new jobs** have been created.
- **Over 38,000 jobs** in SMEs have been **supported** and almost **2,440 new jobs** have been created by the DCFTA Facility under the EU4Business Initiative.



respectively. The core priority of EU4Business in terms of value of projects remains facilitating SMEs' **access to finance, with a total EU contribution of €258.9 million**. Of the 16 ongoing projects addressing access to knowledge, only **Advice for Small Businesses – Phase II** (implemented by EBRD) is a regional project. The remaining projects are bilateral.

EU4Business: the way forward

The Focus Groups with SMEs and the roundtables bringing together all stakeholders took place in each of the six Eastern Partner countries in the spring of 2019. This wide consultation, conducted by the EU4Business Secretariat for a second year, has offered food for thought about ways forward in further growing EU4Business and bringing it closer to the needs of entrepreneurs. Here are some highlights of the key recommendations and views shared by many of the participants:

- **We are in for a long-term partnership:** SMEs need more time to adjust to many of the aspects of trade with the EU. The DCFTA Facility is seen as a catalyser of bilateral trade and a major supporting mechanism for SMEs. Its programmes and projects should aim at longer implementation time and addressing a wider range of activities before SMEs can access the EU market successfully.
- **Local currency lending seems the best way forward to increase SMEs' access to finance:** There is no doubt that local currency lending is one of the most appreciated finance mechanisms of EU4Business. This is what the significant increase in loans taken by Ukrainian SMEs under EU4Business during 2018 clearly shows. The local currency lending will need to be continued.
- **Investing in access to finance will remain important, including a focus on small companies:** At present, EU4Business supports more established SMEs, but there is potential for developing instruments that would reach out to smaller businesses, micro-enterprises and start-ups. In order to broaden the scope of financial instruments for a wider range of SMEs, further investment is needed to strengthen the banking sector and deepen the non-banking financial market, supporting leasing, factoring and equity funding.
- **Linking financial instruments and technical assistance can speed up SMEs' growth:** EU4Business technical assistance projects improve the knowledge and skills not only of SMEs, as the final beneficiaries of financial instruments, but also of the key players in their eco-system, an approach that needs to be sustained in future EU4Business programmes. Further, the SME focus groups note the need to reinforce coordination between the technical assistance provided through the training and capacity building of SMEs, and the technical assistance that accompanies financial instruments. This would ensure complementarity and synergies within and between EU4Business programmes. The findings of the focus groups clearly confirm that the combination of technical and financial assistance provided to one and the same SME, is experienced positively and it is much appreciated by the beneficiaries.
- **Growing demand for targeted expertise delivered by peers:** there is a clear need for more advisory projects, which include on-the-job training and learning by doing. A more tailored approach is needed where SMEs are offered business mentorship that is very specific to their sector, provided by experts from within the same industry.

- **Bringing the EU market virtually closer:** SMEs do not yet have sufficient understanding of foreign (mainly EU) markets for export or procurement of goods and services. Access to a one-stop trade portal where key information is stored would help entrepreneurs prepare better requests for support and plan their growth appropriately. The establishment of the EaP Trade Help Desk answers this need to a great extent. Eastern Partner countries are strongly encouraged to engage and take ownership of this useful tool for economic operators.

EU4Business: awareness and visibility

In 2018, EU4Business grew significantly in visibility. This comes from the fact that all projects conducted communication events to promote the Initiative. Over the past ten years, more than **57,000** people participated in events organised by EU4Business projects, **27,000** of them in 2018 alone. This significant increase is largely explained by EU4Business DCFTA communication campaigns in Moldova and Ukraine.

A much larger number of SMEs and stakeholders in the partner countries was reached through online and media communications, including through special web-portals created in Georgia, Moldova and Ukraine with the support of the projects **SME Development and DCFTA, Visibility and Communication for AA/DCFTA and FORBIZ**.

The EU4Business web-portal also widely promotes opportunities for SMEs offered by EU4Business, by providing navigation across all projects of the EU4Business Initiative, and promotes project results and benefits for business and economic development of Eastern Partner countries. The EU4Business web-portal has over the years become the reference point for all information on the EU4Business Initiative, as shown by its increase in users.

However, more needs to be done to get the right information to potential beneficiaries in the regions. SMEs need to have a simple way of finding out what EU4Business offers to them, and where and how to apply for its support.

A thank you note

The efforts of the EU4Business Secretariat would not have been successful without the continuous and fruitful cooperation with DG NEAR, the EU Delegations in the Eastern Partner countries, the respective national authorities and, last but not least, with the implementers.

We are in debt to all the entrepreneurs we met and spoke with, more than 400 of them. They have shared their views and stories in an open and constructive way, and have been a very important source of inspiration. We have done our best to reflect their views and recommendations in our reports, on our website and through our communication with the European Commission.

Enjoy reading the 2019 Annual Report!

Dr Julia Djarova



On behalf of the EU4Business Secretariat

Secretariat@EU4Business.eu
www.EU4Business.eu



List of Acronyms

A

AA	Association Agreements
AM	Armenia
AMFA	Azerbaijan Micro-finance Association
AZ	Azerbaijan

B

BAS	Business Advisory Services
BiSC	Business Information Support Centre
BRDO	Better Regulation Delivery Office
BSC	Business Support Centre
BSO	Business Support Organisation
BY	Belarus

C

CL	Credit Line
CSO	Civil Society Organisation

D

DAP	DCFTA Adaptation Programme
DCFTA	Deep and Comprehensive Free Trade Area or Agreement
DG	Directorate General for Neighbourhood and Enlargement Negotiations
NEAR	

E

EaP	Eastern Partnership
EBA	European Business Association
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EESC	Eastern Europe Studies Centre
EFSD	European Fund for Sustainable Development
EFSE	European Fund for Southeast Europe
EGP	Enterprise Growth Programme
EIB	European Investment Bank

EIP	External Investment Plan
ENR	EU Neighbourhood Region
ETF	European Training Foundation
EU	European Union
EU IPSC	EU Innovative Action for Private Sector Competitiveness in Georgia

EU-SMEDA	Support to SME Development in Armenia
EUR	Euro

F

FDI	Foreign Direct Investment
FLRC	First Loss Risk Cover
FTA	Free Trade Agreement
FTE	Full Time Equivalent
FX	Foreign exchange

G

GE	Georgia
GFA	GFA Consulting Group
GITA	Georgia's Innovation and Technology Agency
GIZ	Gesellschaft für Internationale Zusammenarbeit
GRETA	Green Economy: Sustainable Mountain Tourism and Organic Agriculture

I

ICIRLD	International Center for Intercultural Research, Learning and Dialogue
ICT	Information and Communications Technology
IFI	International Financial Institution
IPSC	Innovative Action for Private Sector Competitiveness
IT	Information Technology
ITC	International Trade Centre

K	
KAS	Konrad Adenauer Stiftung
KfW	Kreditanstalt für Wiederaufbau
KPI	Key Performance Indicator

L	
LED	Local Economic Development
LFI	Local Financial Institution
LGA	Local Government Assistance Public Union

M	
MD	Moldova
MICAF	Microsoft Innovation Center Armenia Foundation
MSE	Micro and Small Sized Enterprise
MSME	Micro, Small and Medium Sized Enterprise

N	
NGO	Non-Governmental Organisation
NIF	Neighbourhood Investment Facility
NIP	Neighbourhood Investment Platform

O	
ODIMM	Organizația pentru Dezvoltarea Sectorului IMM (Organisation for Small and Medium Enterprises Sector Development)
OECD	Organisation for Economic Co-operation and Development

P	
PCB	ProCredit Bank
PFI	Participating Financial Intermediary
PPD	Public Private Dialogue

R	
RIA	Regulatory Impact Assessments

S	
SBA	Small Business Act
SBI	Small Business Initiative
SBS	Small Business Support
SGI	Strategic Gender Initiative
SME	Small and Medium Sized Enterprise
SMEDA	Support to SME Development in Armenia
SMEDNC	SME Development National Centre of Armenia
SMP	Small and Medium-sized Practices
SOE	State-Owned Enterprise
SPIAC	Scientific Programs Assistance Integration Center
STAREP	Strengthening Auditing and Reporting in the Countries of the EaP

T	
TA	Technical Assistance
TAM	Turn Around Management

U	
UA	Ukraine
UNDP	United Nations Development Programme
USD	United States Dollar

W	
WB	World Bank
WiB	Women in Business

Recent developments in EU4Business

1.1 Introduction to EU4Business

“One of the most important objectives of the European Neighbourhood policy and the Eastern Partnership is to foster economic development and further integration of our economies for the benefit of all. It is also at the heart of our financial assistance. Under the EU4Business Initiative, we cover all your needs, from business environment, to business support organisations, advisory services and access to finance.”

Commissioner for European Neighbourhood Policy and Enlargement Negotiations, **Johannes Hahn**, Eastern Partnership Business Forum, 6 December 2018⁴.

Support for a **stronger economy** is one of the key priorities of the **Eastern Partnership** (EaP) between the European Union and its six Eastern neighbours – **Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova⁴** and **Ukraine**.

“We must export stability... to avoid importing instability,”⁵ Commissioner Hahn said in September 2018. Accordingly, economic development for stabilisation is a priority of the EaP and the European Neighbourhood Policy.



© European Union

3 https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/commissioner-hahns-speech-eap-business-forum-vienna_en

4 Hereinafter referred to as 'Moldova'

5 'Europe in a volatile world – Exporting stability to its neighbourhood' – Speech by EU Commissioner Johannes Hahn, Princeton University, 26 September, 2018 https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/europe-volatile-world-exporting-stability-its-neighbourhood-speech-eu-commissioner-johannes-hahn_en

Building the **economic resilience** of the Eastern Partner countries is at the heart of the EU's contribution towards a stable neighbourhood.

In this context, the EU and its Eastern Partner countries are working together to develop stronger, diversified and vibrant economies across the region.

Supporting this objective, **EU4Business** is an umbrella initiative that covers EU activities in support of **small and medium-sized enterprises** (SMEs) in the Eastern Partner countries. SMEs in all of the six countries have significant **potential to create further jobs and drive economic growth**, provided that obstacles to growth, such as limited access to finance, red tape, and difficulties entering new markets are removed.

With the EU4Business Initiative, the EU therefore contributes to the objective of a stronger economy by:

- helping SMEs to grow through access to finance and advisory services;
- attracting investments and creating jobs in new sectors;
- and increasing trade opportunities by supporting access to new markets.

“Small businesses play an essential role in building modern economies, due to their capacity to innovate and adapt to fast changing markets. Therefore they are absolutely crucial for job creation.”

Commissioner for European Neighbourhood Policy and Enlargement Negotiations, **Johannes Hahn**, annual Eastern Partnership Conference, Vienna, 7 December 2018⁶.

1.1.1 Tangible benefits for citizens: 20 Deliverables for 2020

At the Eastern Partnership Summit in Brussels in 2017, all partners reiterated their commitment to deliver **tangible benefits to the daily lives of citizens** across the region, by focusing on achieving **20 Deliverables for 2020** in the four key pillars of the Eastern Partnership (Stronger Economy, Stronger Governance, Stronger Connectivity and Stronger Society).



Five specific deliverables have been agreed under the Stronger Economy pillar, namely:

- Improve the investment and business environment and **unlock SMEs' growth potential**
- Address gaps in **access to finance**, including in local currency, and financial infrastructure
- Create **new job opportunities** at the local and regional level
- Harmonise **digital markets**
- Support intra-regional **trade** among partner countries and the EU

The aim of the 20 Deliverables for 2020 is to create more and better jobs and higher incomes, notably by improving the business environment. In order to do so, the EU supports its Eastern Partners in moving towards diversified, sustainable and modern economies, to create jobs in new sectors, attract investments and support macroeconomic stability, to drive the economic transition process forward and to improve the capacity of Partner Countries to take advantage of the trade opportunities with the EU and among each other.

Specifically, the 2020 Deliverables have set a priority on local currency lending in the years to come, with a **€100 million of EU funds** pledged to make local currency lending even more accessible to companies across the six countries.

⁶ https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/commissioner's-speech-annual-eap-forum-vienna_en

This objective is well on track, with more than “50% of the EU’s loans to Small and Medium Enterprises now in local currency”, as Commissioner Hahn told at the Annual EaP Forum in Vienna last year. Trade has also increased with each of the six Eastern Partnership countries, and together they now represent the European Union’s 10th largest trading partner in volume.

“While we still have a year and a half ahead of us... to implement all of our 20 deliverables, we can be satisfied with the many advances that have already been made and that contribute even more to bringing our economies and societies closer together,” said European Commission President Jean-Claude Juncker at the 10-year anniversary conference for the Eastern Partnership on 14 May 2019⁷.

1.1.2 EU4Business: evolving to match renewed priorities

In the decade since it was launched as the Eastern Partnership **SME Flagship Initiative** in 2009, **EU4Business** (as it was rebranded in 2016) has continuously evolved to match the EU’s strategic priorities.

Starting as an umbrella for three EU-funded regional programmes in 2009, it has grown to include bilateral assistance projects that directly target SMEs and Business Support Organisations (BSOs) in partner countries. Significantly, it also included the **DCFTA Facility for SMEs**, created in 2015 to respond to the challenges and opportunities that businesses face in the three Eastern Partnership countries that signed **Association Agreements with Deep and Comprehensive Free Trade Areas** (AA/DCFTA) with the European Union in 2014 – Georgia, the Republic of Moldova and Ukraine.

The **current portfolio of 49 projects** (as of June 2019) now includes a wide range of SME support actions at both regional and bilateral level, reflecting the flexibility and differentiation of the European Union’s approach to its Eastern Partners.

These range from tools developed to meet the challenges that SMEs face in the three Association Agreement countries – Georgia, Moldova and Ukraine – to actions tailored to the specific private sector development needs of Armenia, Azerbaijan and Belarus.

In the reporting period, **additional six projects have been added to the portfolio**, highlighting the evolution of the initiative to encompass local actions at bilateral level, thus channelling local actions into the broader policy objectives. At the same time, the renewed support to the European Fund for Southeast Europe (EFSE) for a period 2018–2039 provides a significant boost to local currency lending to micro and small enterprises (MSEs) – one of the key 2020 Deliverables. The upcoming EaP Trade Helpdesk project to be implemented by the ITC will contribute to the achievement of the deliverables on increased trade at intra-regional level and between EaP countries and the EU.

Grouping together SME support actions under the umbrella of EU4Business has allowed a more **concerted strategic focus** and **better coordination** between regional and bilateral actions. At the same time, it ensured **better monitoring** and **more effective communication** on aggregated results achieved with partner countries and partner organisations, as well as overall across the Eastern Partnership region.

The success of this approach has led to its replication across several Eastern Partnership policy areas, with the launch of EU4Energy and EU4Youth initiatives in 2017, EU4Climate in 2018, and EU4Environment and EU4Digital in 2019.

In addition to projects under the EU4Business portfolio, an important part of bilateral support has an indirect impact on the SME sector, and is managed and closely monitored by the EU Delegations in the Eastern Partner countries. This is particularly true for **budget support programmes and twinning projects** focusing on an improved business environment, which involve direct cooperation with national authorities.

1.2 The EU4Business strategic framework

The strategic framework of the EU’s support to the private sector, is set out in the **SME Flagship Strategy** until 2020, endorsed in 2014⁸.

The Strategy defines four strategic priorities:



1. Improving access to finance



3. Improving knowledge base and business skills



2. Strengthening policy and regulatory frameworks



4. Improving access to markets

7 http://europa.eu/rapid/press-release_SPEECH-19-2511_fr.htm

8 “EU support to SMEs in the Eastern Partnership countries 2014–2020. The way forward for the SME Flagship Initiative”



© EIB

The Strategy's objective is "to sustainably increase the contribution of SMEs to the national economies through strengthening SMEs as vehicles for employment creation and economic development".

These four priorities provide the basis for the 2020 Deliverables for Stronger Economy that were endorsed in 2017, providing practical targets to operationalise the EU4Business Initiative, including the new focus on local currency loans.

In addition to these four strategic priorities, E4Business addresses a number of cross-cutting **inclusive development issues** – at both regional and bilateral level – related to women and youth, regional and rural development, corporate social responsibility, social entrepreneurship and engagement of civil society.

Addressing inclusive development issues

The Women in Business programme, for instance, provides loans and tailored technical assistance to women-run enterprises. Projects in Armenia, Azerbaijan, Belarus, Georgia and Moldova provide tailored support to SMEs in rural regions, while in Georgia, a project targets civil society engagement in implementation of the DCFTA.

Within its strategic framework, EU4Business pays particular attention to **implementation of the Deep and Comprehensive Trade Areas** in the three Association Agreement countries. Although ambitious, the gradual establishment of the DCFTAs between the EU and Georgia, Moldova and Ukraine has opened new trade and investment opportunities for businesses and has enhanced the relevant regulatory environment.

The **DCFTA Facility for SMEs** supports the strategic objectives in these three countries, namely to increase the competitiveness of SMEs, ease their access to finance related to trade, and help them seize new trade opportunities and comply with quality standards. The DCFTA Facility, which became fully operational in 2017, has received approximately **€200 million of grants** from the EU budget to **unlock at least €2 billion of new investments** by SMEs in Georgia, Moldova and Ukraine, to be financed largely by new loans supported by the Facility. Results of the Facility to date are impressive: since its launch and throughout 2018, over **75,000 jobs have been supported and 14,500 new jobs created**.

In addition, the EU's External Investment Plan (EIP) – adopted in September 2017 – aims to **encourage investment in partner countries** in the EU Neighbourhood region and Africa.

By mobilising and leveraging investment, the EIP promotes **inclusive growth, job creation and sustainable development**.

The EIP provides a **framework to support more innovative and riskier products** by deploying new financial instruments and facilities through the new **European Fund for Sustainable Development (EFSD)**. Alongside the existing blending facility for the neighbourhood (now called NIP), the EIP will provide this new stand-alone guarantee (the EFSD), backed by the budget of the EU, for a total value of €1.5 billion. The aim of the new guarantee is to mitigate the risks associated to investments with the aim of crowding in the private sector.

The EIP also means **reinforced policy dialogue and technical assistance** in support of key economic reforms to improve the overall business environment and investment climate, as well as sector based reforms conducive to mobilise domestic and foreign investments.

*“The **External Investment Plan** will help unlock the investment potential in our partner countries. With its innovative guarantee scheme, we expect the Plan to crowd in private investments that would otherwise not materialise.”*

European Commissioner **Johannes Hahn**, EaP Business Forum in Vienna in December 2018⁹.

The **Women in Business** programme¹⁰ is one example of an EU4Business project, which will be stepped up with the help of the External Investment Plan, with its current EU contribution of €4.8 million leveraging €54.3 million of total investments. Other programmes which will be stepped up with the help of the External Investment Plan include **EFSE**, the **DCFTA Direct Finance Facility**, and **SME Finance Facility phase III**¹¹.

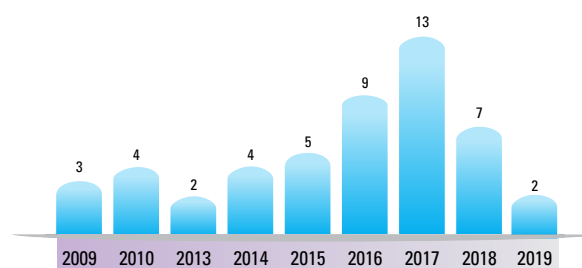
Fulfilling its strategic role as an EU support instrument, EU4Business has shown increasing dynamics over the years of its implementation.

1.3 EU4Business portfolio

The year 2019 marks the 10-year anniversary of the EU4Business Initiative. Over the 10 years, the number of EU4Business programmes and projects has increased significantly: the portfolio of 3 regional programmes in 2009 has grown to 49 projects in 2019.

Today, the EU4Business Initiative includes **40 ongoing (€384 million)**, and **9 closed projects (33 million)**, implemented by 21 partners¹². The **total EU contribution has reached €417 million**, and it has triggered almost **€2.5 billion of loans** granted to almost **80,000 SMEs** by partner banks¹³, **supporting 218,000 jobs and creating 34,000** more.

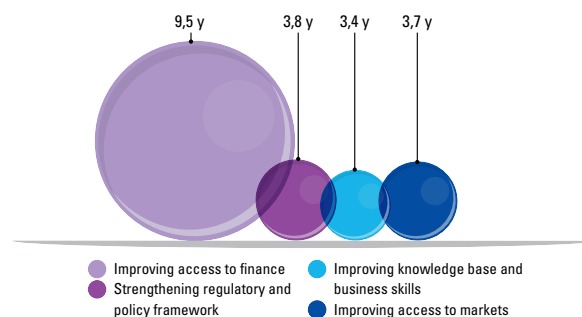
Figure 1.1: Dynamics of EU4Business: number of projects starting per year



Source: EU4Business Secretariat

The running time of programmes and projects under the EU4Business varies from 1,5 to 21 years with an average implementation time of 5.1 years. The longest programmes are the ones addressing SMEs' access to finance and they run for 9.5 year on average. The shortest projects are typically technical assistance projects that aim at improving SMEs' knowledge base and business skills and they have an average duration of 3.5 years.

Figure 1.2: Average running time (in years) of a programme/project by priority area



Source: EU4Business Secretariat

9 https://ec.europa.eu/commission/commissioners/2014-2019/hahn/announcements/commissioner-hahns-speech-eap-business-forum-vienna_en

10 EU External Investment Plan factsheet https://ec.europa.eu/commission/sites/beta-political/files/external-investment-plan-factsheet_en.pdf

11 EU External Investment Plan - Examples of eligible operations - Eastern Partnership countries https://ec.europa.eu/commission/sites/beta-political/files/external-investment-plan-examples-eastern_en.pdf

12 For a full list of projects see Annex A

13 These numbers do not include three programmes moved to the EU4Energy portfolio in 2017.



PROJECTS

IMPROVING ACCESS TO FINANCE

- 1 SME Finance Facility - Phase I - EBRD/KfW
- 2 SME Finance Facility - Phase II - KfW
- 3 SME Finance Facility - Phase II - EBRD
- 4 SME Finance Facility Phase I - EIB
- 5 SME Finance Facility - Phase II - EIB
- 6 EFSE (Neighbourhood Window of the European Fund For South East Europe - ENR Component)
- 7 EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)
- 8 Women in Business
- 9 DCFTA Initiative East (EIB)
- 10 EU4Business - EBRD Credit Line - Phase I
- 11 EU4Business - EBRD Credit Line - Phase II
- 12 DCFTA Direct Finance Facility
- 13 Financial Sector Institution Building and Crisis Response
- 14 Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia
- 15 Armenia SME Finance and Advice Facility
- 16 Support to SMEs in rural areas
- 17 Filière du vin

STRENGTHENING REGULATORY AND POLICY FRAMEWORK

- 18 FORBIZ
- 19 EU4Business: From Policies to Action
- 20 Financial Inclusion and Accountability
- 21 SME Competitiveness Reforms
- 22 Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP)

IMPROVING KNOWLEDGE BASE AND BUSINESS SKILLS

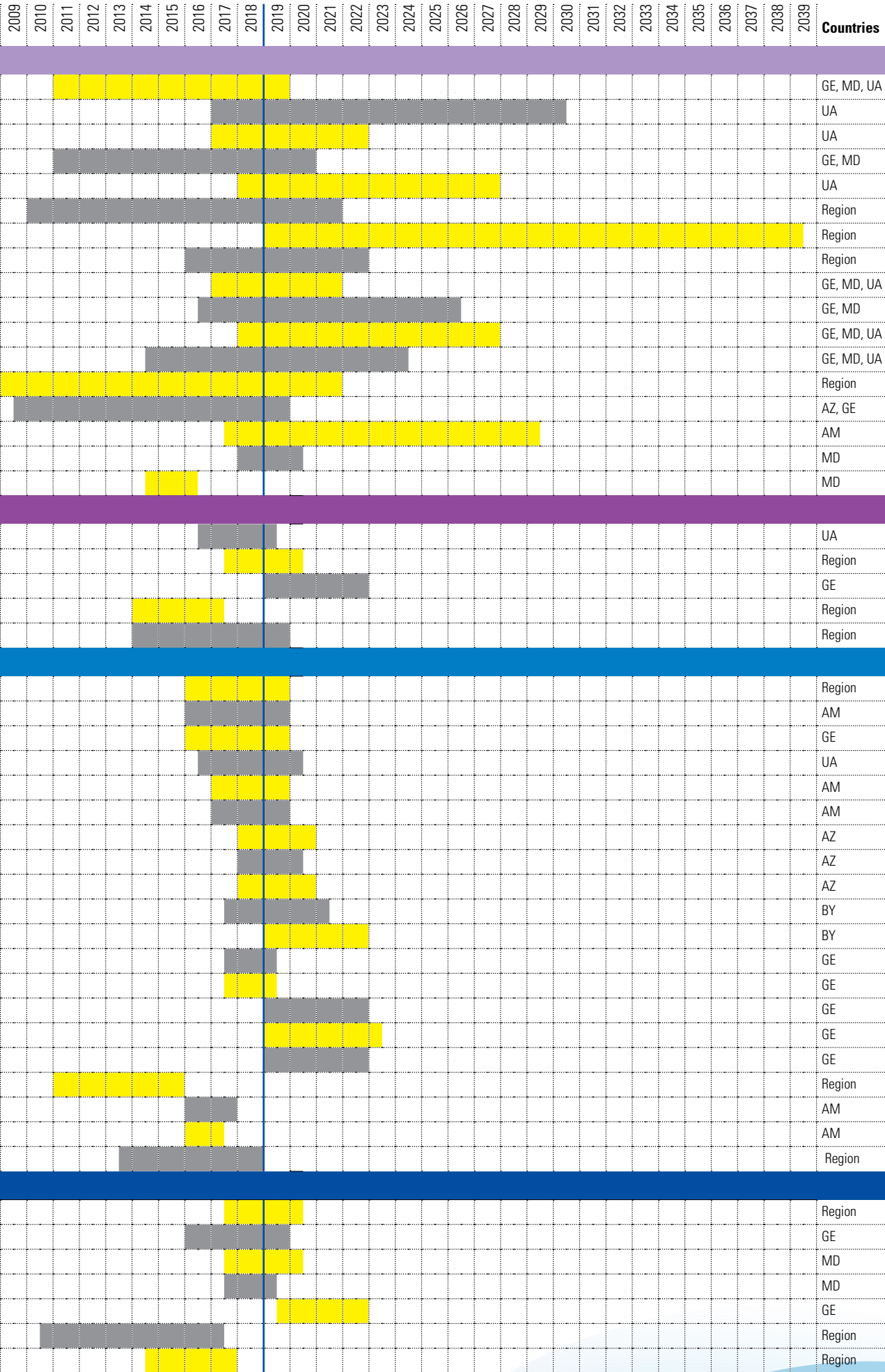
- 23 Advice to Small Businesses - Phase II
- 24 Support to SME Development in Armenia (SMEDA)
- 25 DCFTA Adaptation Programme (DAP)
- 26 EU4Business: Network of Business Support Centres in Ukraine
- 27 Boosting competitiveness of regional SMEs
- 28 Boosting technological development in Shirak Marz
- 29 Promoting Community-based Agritourism as a Rural Regeneration Strategy
- 30 Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan
- 31 Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan
- 32 Advice For Small Businesses in Belarus
- 33 Local Economic Development in Belarus (LED)
- 34 Georgia on European way
- 35 Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy
- 36 EU Innovative Action for Private Sector Competitiveness in Georgia (EU IPSC)
- 37 Green Economy: Sustainable Mountain Tourism and Organic Agriculture
- 38 Increasing Institutional Capacity for Innovation
- 39 SBS Programme - BAS+EGP in EaP Countries (TAM/BAS)
- 40 Community Development through Social Entrepreneurship
- 41 Support to the European Business Association Armenia
- 42 Advice to Small Businesses - Phase I

IMPROVING ACCESS TO MARKETS

- 43 Eastern Partnership: Ready to Trade
- 44 SME Development and DCFTA in Georgia
- 45 Support to the quality infrastructure framework within ad DCFTA context in the Republic of Moldova
- 46 Visibility and Communication for AA / DCFTA
- 47 Clusters 4 Development - Better Business Sophistication in Georgia
- 48 East Invest I
- 49 East Invest II

Figure 1.3: Year of contract signing and end year ■ completed projects

Source: EU4Business Secretariat



In 2018 and early 2019, two EU4Business projects came to an end: **Advice to Small Businesses - Phase I** and **Strengthening Auditing and Reporting in the Countries of the Eastern Partnership** (STAREP).

Advice to Small Businesses - Phase I, implemented by the EBRD, focused on improving SMEs' knowledge base and business skills by contributing to improved access to finance for SMEs and enhancing their competitiveness, supporting access to local consulting services and strengthening the sustainability of the local business advisory services infrastructure, as well as by supporting DCFTA-related activities. Since its launch in 2013, over 1,600 people from SMEs, BSOs and PFIs received training and over 500 SMEs received support through advisory services. In addition, over 10,000 new jobs were created and over 34,000 jobs were supported. This project is continued with a second phase running till the end of 2019.

Another project that ended in the reporting period is the World Bank's **Strengthening Auditing and Reporting in the Countries of the Eastern Partnership** (STAREP), which helped participating countries both to improve their frameworks for corporate financial reporting and to raise the capacity of local institutions to implement these frameworks effectively. Through this support, the project contributed to increased capacity among policy makers and key stakeholders to determine appropriate ways and good practices in auditing, and to align national legislation with EU requirements. More detailed insights on the achieved results and impact are presented in Chapter 2.

Six projects/programmes were added to the EU4Business portfolio in 2018 and the first five months of 2019. The most important one is the **EU Local Currency Partnership Initiative: the European Fund for Southeast Europe** (EFSE), with a total EU budget of €50 million, which aims to make it possible for EFSE to provide access to medium term credit in local currency for underserved MSMEs and low-income households without exposing them to foreign currency risk. In addition to this, the project also has the following specific objectives:

- 1) improving access to finance and job stability/creation;
- 2) leveraging public and private capital (catalytic effect); and
- 3) strengthening inclusion of local financial market.

This programme will be covering all six Eastern Partner countries and will run from 2018 till 2039.

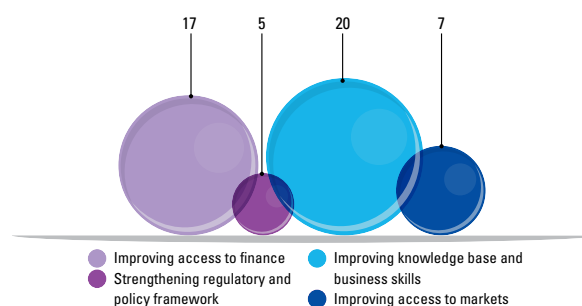
The five other new projects are all bilateral, and all implemented in Georgia, namely: **Increasing Institutional Capacity for Innovation; Financial Inclusion and Accountability; EU Innovative Action for Private Sector Competitiveness in Georgia; Green Economy: Sustainable Mountain Tourism and**

Organic Agriculture (GRETA) and **Clusters 4 Development - Better Business Sophistication in Georgia**.

1.3.1 Specific dimensions of EU4Business

The contracts, the progress reports and similar official documents of EU4Business programmes and projects are the source for reviewing completed and ongoing projects, and for indicating the objectives and the scopes of the programmes planned. The review presented below shows the distribution of the 49 programmes and projects by priority area, by total value, by geographic coverage and by implementer. A full overview of the programmes and projects in the EU4Business portfolio as of June 2019 is provided in Annex A.

Figure 1.4: EU4Business programmes and projects by priority area



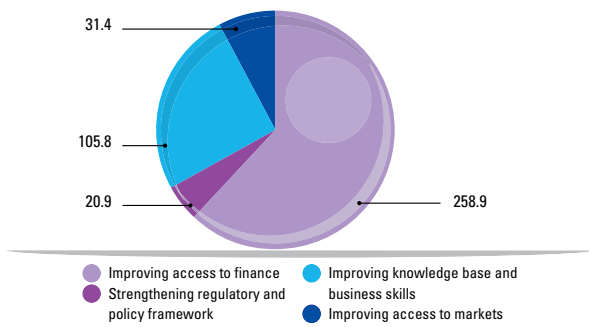
Source: EU4Business Secretariat

The two priority areas, facilitating access to finance and improving knowledge base and business skills, are represented by 17 and 20 projects respectively. The core priority of EU4Business in terms of value of projects remains facilitating SMEs' access to finance, with a total EU contribution of €258.9 million. The average size of each project in this category is €15.2 million, almost triple the average size of projects under the access to knowledge category (€5.3 million).

The size of access to knowledge projects vary between 60,000 and 40 million; access to finance projects – between 2 and 63 million, which shows the diversity and different outreach of various actions implemented under the EU4Business umbrella.

Of the 20 projects classified under access to knowledge, 16 are ongoing, of which one is regional and this is Advice for Small Businesses – Phase II. It is implemented by the EBRD across the region. The rest of the projects are bilateral, meaning they are implemented in only one country out of the six.

Figure 1.5: Distribution of committed EU budget per priority area, total portfolio, million euro



Source: EU4Business Secretariat

Even though each programme is classified under one priority area to avoid double-counting, many of the projects and programmes respond to multiple challenges experienced by the SMEs in the region. For instance, programmes classified under improving access to markets in most instances have a strong advisory component – the regional Eastern Partnership - Ready to Trade project, and SME Development and DCFTA in Georgia are prominent examples of this. Some programmes under access to knowledge have

a financial component in them, such as EU-SMEDA, while a range of access to finance projects have technical assistance components aimed at improving the knowledge base and skills of supported SMEs, a good example being EU4Business-EBRD Credit Lines and Armenia SME Finance and Advice Facility. The latter programme has a balance between financial and technical assistance, it improves SMEs’ investment readiness thus enabling access to further financing and further growth which is not limited to the project’s financial instruments only.

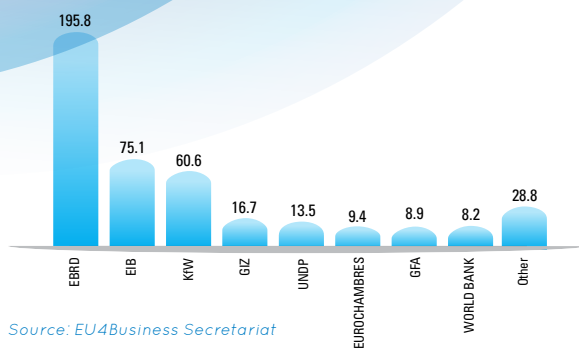
EU4Business programmes and projects are implemented by 21 partners, among them various international organisations such as the EBRD, the EIB, KfW, the OECD, the World Bank, ITC, UNDP and others. The EBRD remains the main EU4Business implementing partner, being in charge of 15 out of 49 programmes. The second largest implementer is the EIB with four projects, followed by KfW, UNDP, World Bank and GIZ – each of them implementing three EU4Business programmes or projects.

Figure 1.6: EU4Business portfolio by implementer



Source: EU4Business Secretariat

Figure 1.7: Total EU budget committed per implementer, million euro



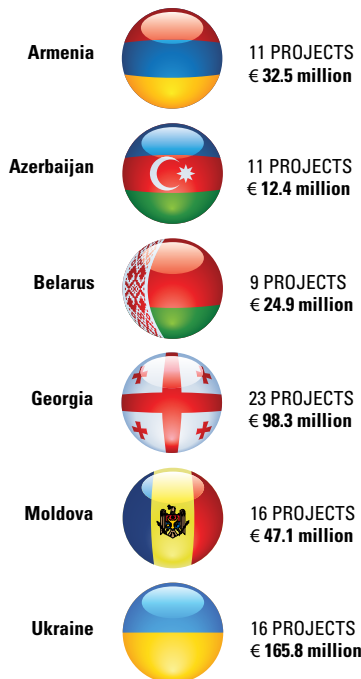
Source: EU4Business Secretariat

Next to the 20 regional programmes that have been developed for all six or for several countries in the Eastern Partnership, the EU4Business portfolio includes 29 bilateral projects, which have significantly enriched the EU4Business country portfolio. The bilateral programmes and projects are focused on stimulating employability and job creation at the local/regional level, focusing on smart deregulation, easing access to finance for regional SMEs, creating wider business opportunities for MSMEs, as well as promoting the DCFTA-related activities.

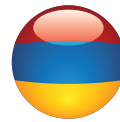
In the section below country portfolios are analysed. All multi-country projects are included in the portfolios of each country they cover (both ongoing and closed), e.g. **Eastern Partnership: Ready to Trade** is a regional project, thus it is included in the project counts in each of the six countries.

€ 384 million total EU financing in ongoing projects

EU4Business current portfolio by country



1.3.2 EU4Business country portfolios



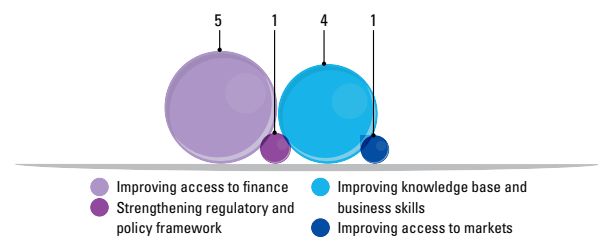
Armenia

In Armenia, EU4Business supports **11 ongoing projects**, with a total contribution of **€32.5 million**. These projects provide improved access to finance and new markets, training, advisory and consultancy services for SMEs, targeted support for women in business, start-ups, technology-based enterprise and cluster development, as well as regional development and social entrepreneurship. **Eight projects** have already been closed.

The biggest project in Armenia remains the **Armenia SME Finance and Advice Facility**, which accounts for **€15.38 million** of EU budget, and deploys EU funds blended with those provided by the EBRD and other investors to support Armenian SMEs. The project improves access to finance for SMEs through a combination of investment projects and technical assistance, and a diversification of sources of finance, ultimately creating jobs, contributing to increased investment, capital market development and diversification of economic activity.

The second biggest project in Armenia is **Support to SME Development in Armenia (EU-SMEDA)**, with a **€6.4 million** of EU budget. The project supports the improvement of the business and investment climate for SMEs in Armenia and aims to strengthen the private sector, support SME coordination mechanisms, and foster links between research institutions and the private sector. It will come to an end in August 2019.

Figure 1.8: Ongoing projects by priority area - Armenia



Source: EU4Business Secretariat



Azerbaijan

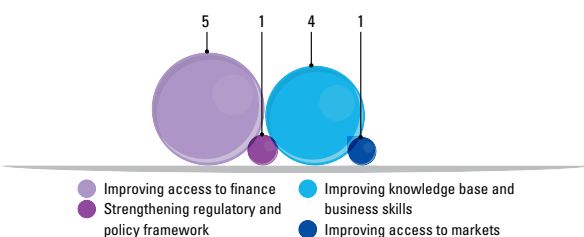
In Azerbaijan, **11 ongoing projects** with a total EU contribution of **€12.4 million** are included in the EU4Business portfolio, with additional **six projects completed**. Ongoing projects provide improved access to finance and new markets, training, advisory and consultancy services for SMEs, targeted support for women in business, micro-enterprises and family businesses, as well as rural development.



© European Union

The two biggest ongoing projects in Azerbaijan are the new **EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)**, with an EU contribution of **€3.39 million** to be allocated in Azerbaijan, and the **Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia** project, with a total budget of **€1.78 million** in Azerbaijan. The former provides development finance to SMEs and private households, and the latter creates sustainable financial intermediaries and improving the local financial sector's efficiency. Both of them are classified under the improved access to finance priority area.

Figure 1.9: Ongoing projects by priority area - Azerbaijan



Source: EU4Business Secretariat



Belarus

In Belarus, **9 project are ongoing**, while additional **six have been closed**, and the EU contribution in ongoing projects amounts to **€24.9 million**. Current

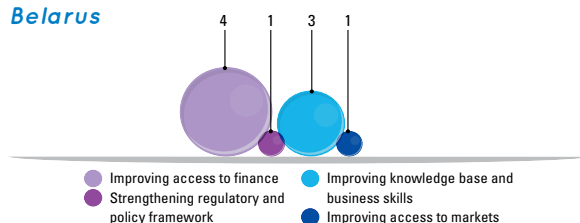
projects in the EU4Business portfolio focus on improving access to finance for SMEs, training, advisory and consultancy services and market access support, targeted support for women entrepreneurs, and regional and local development with a focus on MSMEs and social enterprises.

The two biggest ongoing projects in Belarus are **Local Economic Development in Belarus (LED)** and **Advice For Small Businesses in Belarus**. Both projects are classified under the access to knowledge and business skills priority area, while the latter also follows a complementary objective of easing access to finance at a local level.

The **Advice for Small Businesses in Belarus** project was added to the portfolio in late 2017, and accounts for a €6 million EU contribution. The project enhances the competitiveness of SMEs in Belarus operating across a wide range of sectors, with a focus on regional development, by increasing entrepreneurial skills, financial literacy, and the ability to adjust to markets within and outside Belarus.

The second major project, **Local Economic Development in Belarus** (LED), was likewise launched in 2017, but only became operational at the end of 2018 due to the lengthy project's registration process. It is implemented by the UNDP with a €7.7 million contribution from the EU. The project supports participatory local development and entrepreneurship in Belarus, with the aim to enhance local growth and competitiveness, at the same time addressing social vulnerabilities.

Figure 1.10: Ongoing projects by priority area - Belarus



Source: EU4Business Secretariat



Georgia

As in 2017, in 2018 Georgia remained the leader in terms of number of ongoing EU4Business projects. As of June 2019, there are **23 ongoing projects** that account for **€98.3 million** of EU contribution. Ongoing projects provide improved access to finance and new markets, specific DCFTA adaptation support, training, advisory and consultancy services for SMEs, targeted support for women in business and the development of clusters in specific sectors, as well as support for BSOs and civil society in support of DCFTA objectives. **Six other projects** have already been closed.

In 2018 and very early 2019, the EU4Business portfolio in Georgia was enlarged with five bilateral projects, namely:

- **Increasing Institutional Capacity for Innovation and Financial Inclusion and Accountability**, both implemented by the World Bank;
- **EU Innovative Action for Private Sector Competitiveness in Georgia** (EU IPSC);
- **Green Economy: Sustainable Mountain Tourism and Organic Agriculture** (GRETA); and
- **Clusters 4 Development - Better Business Sophistication in Georgia**.

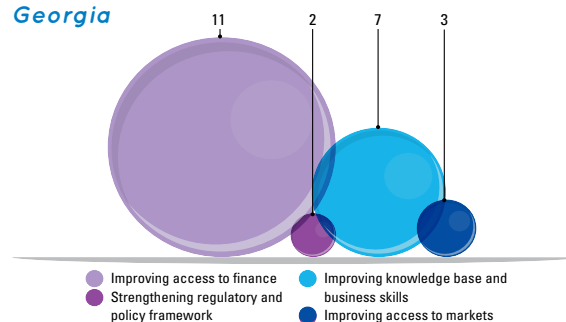
The **Increasing Institutional Capacity for Innovation** project, implemented by the World Bank, aims at increasing the ability of Georgia's Innovation and Technology Agency (GITA) to effectively coordinate the government's approach to innovation policy formulation and implementation, and has an EU budget of **€2.7 million**. The second project led by the World Bank, **Financial Inclusion and Accountability**, supports analytical, advisory and capacity building to strengthen key elements and lay the foundations for enhancing financial inclusion and accountability in Georgia, and has a budget of **€4.5 million**.

The **EU Innovative Action for Private Sector Competitiveness in Georgia** (EU IPSC) project aims at strengthening the capacities to develop and operate clusters and supporting companies with strategic investments, while the **Green Economy: Sustainable Mountain Tourism and Organic Agriculture** (GRETA) will support new opportunities and increase in income in the sectors of mountain tourism and organic agriculture. The projects account for EU contributions of €5 million and €3 million, respectively.

The new project **Clusters 4 Development - Better Business Sophistication in Georgia**, will be continuing the work done by the GIZ-led consortium under the project SME Development and DCFTA in Georgia, which comes to an end in the summer of 2019. This new project's overall objective is to foster socio-economic development in Georgia and its regions, while the specific objectives are enhancing the business performance of private sector actors in the construction, tourism and apparel sectors through cooperation mechanisms, and an improved institutional framework for cluster and business development. The project will start in July 2019 and will run until 2023.

The biggest programmes currently running in Georgia are the **EBRD Credit Line - Phase I**, with **€16.8 million** allocated in the country, and the new **EU Local Currency Partnership Initiative: the European Fund for Southeast Europe** (EFSE), with **€13.72 million** of EU contribution for Georgia.

Figure 1.11: Ongoing projects by priority area - Georgia



Source: EU4Business Secretariat



Republic of Moldova

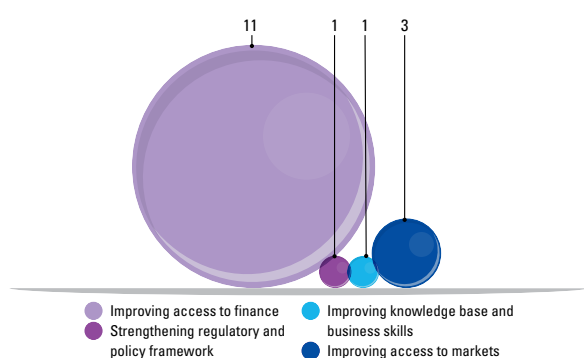
The EU4Business portfolio in the Republic of Moldova counts **16 ongoing** and **seven closed** projects. The EU contribution to the ongoing projects in Moldova stands at **€47.1 million**. Ongoing projects provide improved access to finance and new markets, specific DCFTA adaptation and implementation support for SMEs, training, advisory and consultancy services for small businesses, targeted support for women in business and rural SMEs, including incentives for the investment of migrant remittances, as well as support for development of the regulatory infrastructure necessary for the implementation of DCFTA objectives.



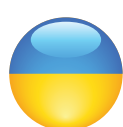
© European Union

As in other DCFTA countries, the majority of the EU4Business projects are classified under access to finance; 11 out of 16 projects fall under this priority area. The biggest ongoing projects in Moldova aim at improving SMEs' access to finance are the **DCFTA Initiative East**, with an EU contribution of **€9.37 million**, and the **EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)** which should allocate **€9.59 million** in the country.

Figure 1.12: Ongoing projects by priority area - Republic of Moldova



Source: EU4Business Secretariat



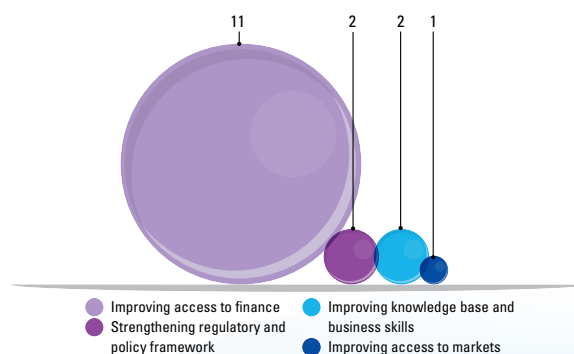
Ukraine

The EU4Business portfolio in Ukraine currently includes **16 active projects** amounting to almost **€165.8 million** of EU financing. A further **6 projects** have been **completed**. Ongoing projects provide improved access to finance and new markets, specific DCFTA adaptation and implementation support for SMEs, training, advisory and consultancy services for small businesses, support to business-friendly reform and better regulation, and targeted support for women in business.

Ukraine remains the largest country-recipient of EU4Business funds. Of all access to finance programmes represent nearly 69% of the total EU contribution to this largest economy in the Eastern Partnership region. The biggest ongoing project, the **DCFTA Initiative East** by the EIB, accounts for a **€42.9 million** EU contribution in Ukraine. The project, launched in 2016, supports SMEs in Ukraine by providing them with targeted financial and technical support.

Under access to knowledge and business skills it is worth mentioning the **Network of Business Support Centres in Ukraine**. This **€40 million** programme aims at improving the competitiveness and ability to access finance of Ukrainian SMEs through the provision of business advice and capacity building, as well as preparation for financing from the EBRD and other financial institutions. Under the programme, a network of 15 business support centres has been established across the country to support SMEs in accessing the right financing and know-how support for their business.

Figure 1.13: Ongoing projects by priority area - Ukraine



Source: EU4Business Secretariat

Achievements of EU4Business

Although SMEs are often thought of as flexible and innovative, they also face a series of challenges that pose important obstacles to their growth, such as limited access to funding, skills gaps, lack of information, leading to the neglect of key corporate roles such as proper management. Programmes and projects under the EU4Business Initiative have been designed to contribute towards achieving the Initiative's objectives by providing access to finance, capacity building, knowledge transfer to SMEs and facilitating their access to markets.

Chapter 2 provides an overview of the extent to which the Initiative as a whole has achieved its results until December 2018. These results are based on a quantitative and qualitative analysis of all progress reports which were made available by 1 May 2019. The data presented provides an overview at country level and for the periods 2009-2017, 2018 and 2009-2018.

Quantitative analysis relates to a set of key performance indicators (KPIs). These KPIs were defined in autumn 2017 in collaboration with both the European Commission and the implementers, and in order to ensure continuity they have not been modified since then (See annex B for a full overview of the KPIs). For projects that were already ongoing at that time, it was agreed that full data on the defined KPIs could not always be delivered in the agreed format. Where information on data is given but not in the correct format, assumptions might be applied for our reporting purposes¹⁴.

The progress reports are also analysed through a qualitative approach, extracting interesting elements such as success factors, problems encountered in the implementation, etc. Further qualitative data is also studied from other EU4Business activities, such as the round tables with stakeholders organised in each of the Eastern Partner countries during March-April 2019, as well as focus groups with SME representatives which were also organised in all six countries during the same period.

Bringing all these elements together, results show that during 2018, the EU4Business Initiative achieved the following:

- **6,024 SMEs have received loans** from Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) through supported EU4Business programmes;
- The value of loans disbursed to SMEs by PFIs and IFIs accounted for **over €315 million**;
- The total volume of loans/guarantees/capital investments to PFIs for on-lending to SMEs in local currency was over **€220 million**;
- Over **8,500 people** from SMEs, PFIs and BSOs have been trained or coached, and over **27,000 people** have attended events organised under the EU4Business Initiative;
- Over **66,000 jobs** in SMEs have been supported and almost **6,000 new jobs** have been created.

Before going into the details of these concrete achievements, the first section of this chapter highlights the EU4Business portfolio for each priority area and the relevant indicators monitored. The remainder of this chapter will focus on the concrete achievements that the EU4Business Initiative has reached through its different projects and programmes. While the projects and programmes are divided under different priority areas, as presented in section 2.1, their activities and related results can touch upon different aspects in relation to the different priority areas. While financial instruments are clearly used to increase access to finance (priority area 1), this can be combined with capacity and knowledge building activities (priority area 2) in one programme. Likewise, capacity building and training of SMEs (priority area 3) can focus also on accessing new markets (priority area 4).

Achievements are therefore not presented per priority area in this chapter, but the focus will be more on the activities. Section 2.2 will focus on financial assistance delivered to SMEs within the EU4Business Initiative, followed by the variety of capacity building activities conducted (section 2.3). Ways in which the Initiative contributed to strengthening SME policies and legislation in the six Eastern Partner countries are discussed in section 2.4, and how it contributed to stimulating women entrepreneurship, a cross-cutting issue within the initiative, is discussed in section 2.5. The impacts that the EU4Business Initiative has brought on SME growth in general and on assisting SMEs in grasping the benefits of the DCFTA in Ukraine, Georgia and Moldova are discussed in sections 2.6 and 2.7.

¹⁴ For full transparency on the assumptions taken throughout the analysis, annex C provides a clear description of these as well as their potential impact on the data.

2.1 The four priority areas of the EU4Business Initiative

PRIORITY AREAS	SPECIFIC OBJECTIVES OF THE PRIORITY AREAS
IMPROVING ACCESS TO FINANCE	<ul style="list-style-type: none"> • improve the capacity of SMEs to access financing, in particular to prepare investment projects; • ensure that Local Financial Institutions (LFIs) propose suitable products to SMEs; • lower the risk perception of SME lending by LFIs; • increase local currency lending by LFIs.
TACKLING INADEQUATE POLICY & REGULATORY FRAMEWORK	<ul style="list-style-type: none"> • improve SME policies in the EaP region in line with the SBA; • empower Business Support Organisations (BSOs) to be able to participate in public-private dialogue; • encourage SME involvement in anticorruption mechanisms; • support SMEs in moving from informal to formal sector; • foster enterprise creation; • accelerate the process of starting a business.
IMPROVING KNOWLEDGE BASE/ BUSINESS SKILLS	<ul style="list-style-type: none"> • assist BSOs & local consulting companies in designing and proposing business services to SMEs; • develop the offer of vocational training for SMEs; • support universities in order to develop and deliver entrepreneurial curricula for students and vocational training for entrepreneurs.
IMPROVING ACCESS TO MARKETS	<ul style="list-style-type: none"> • support SMEs in trading with the EU and within the EaP region; • enable SMEs to benefit from FDIs; • support SMEs in implementing the DCFTAs.

2.1.1 Priority area 1: Improving access to finance

The first priority area of the EU4Business Initiative focuses on ensuring that SMEs in the Eastern Partner countries have access to adequate financing. SMEs are considered as great innovation-drivers and have a strong focus on profit maximization, but they often encounter issues when looking for capital to finance their activities, especially at the early stage of their business cycle. Although this natural unwillingness of investors is understandable due to SMEs' limited credit history, their high-risk profile and other important factors, it is crucial to set up a mechanism that addresses such challenges and provides less restrictive options for financing for SMEs.

This priority area not only relates to the provision of loans per se, but also to the circumstances in which these are provided, e.g. the interest rate applied, the currency in which the loan is provided, required collateral, risk incurred by the SME borrower, etc. In order to change such circumstances, the implementers of access to finance projects have set up a series of activities focusing not only on the demand side (i.e. SMEs), but also on the supply side (i.e. PFIs).

Specific objectives under this priority area include:

- Improving the capacity of SMEs to access financing, in particular to prepare investment projects.
- Ensuring that Local Financial Institutions (LFIs) propose suitable products to SMEs.
- Lowering the risk perception of SME lending by LFIs
- Increasing local currency lending by LFIs.

The EU4Business portfolio currently includes 17 programmes and projects under the priority area "Improving access to finance". Since the publication of the Annual Report 2018, one additional project related to this area has been added to the EU4Business Initiative – **the EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)**. Almost ten years after the implementation of the first EFSE project in 2009, KfW is now implementing a project that is heavily focused on providing local currency lending. In order to do so, it aims to create an investment vehicle by adding L-class shares to the Fund's capital structure, which enables it to offer unhedged loans in local currency to the Partner Lending Institutions. As such, and contrary to EFSE's first project, the **Neighbourhood Window of the European Fund for South East Europe (EFSE)**, where C-shares are held and thus sovereign donors cover the first losses, this second EFSE project focuses on L-shares bearing foreign exchange risk (FX) losses.

This regional project has the highest EU contribution from the entire EU4Business portfolio, accounting for **€50 million, with a total budget of over €1 billion**. Regarding the EU contribution, it is important to note that the service contract has stipulated an **earmarked minimum budget** to the DCFTA countries Georgia, Moldova and Ukraine for an amount of €5 million, €6 million and €13 million, respectively. This makes the project part of the DCFTA Facility.

The longest running programme of the EU4Business Initiative is the **SME Finance Facility** programme, which is divided in two different phases and composed of five complementary projects, implemented by the EBRD, EIB and KfW. The first phase of the programme combines technical assistance to PFIs with risk-sharing guarantees (EBRD and KfW) or with interest-free EU-funded loan co-financing of up to 10% of the loan (EIB). While Phase I is composed of regional projects with actions covering all six countries, Phase II of the programme is part of the DCFTA Facility and it is focused on minimizing the risk incurred by borrower SMEs through the promotion of local currency lending exclusively in Ukraine.

In addition to SME Finance Facility II, four other projects have been developed under the DCFTA Facility:

- **EBRD DCFTA SME Direct Support Facility**, which provides guarantees and first loss risk cover for direct local currency loans from EBRD to SMEs. This project combines technical and financial assistance;
- **EBRD DCFTA Programme (EU4Business-EBRD Credit Line Phase I and II)** combining EBRD credit lines with EU-funded incentive payments and blended risk mitigation (Phase I), and local currency interest rate subsidies, technical assistance and policy dialogue (Phase II);
- **EIB DCFTA Initiative East** combines a Risk Capital Facility to support intermediaries and in particular microcredit institutions, and a Guarantee Facility (first loss risk cover). The guarantees can be provided in EUR, USD or local currency;

The **Women in Business** programme is implemented by the EBRD, and provides credit lines to local banks focused on supporting women-led SMEs in combination with business advice to SMEs as well as training and mentoring to women entrepreneurs.

Two additional EBRD projects, the **Financial Sector Institution Building and Crisis Response**, which is implemented across all six partner countries, and the **Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia**, have a strong focus on providing technical assistance to PFIs through capacity building and consultancy services.

Finally, the improving access to finance priority also includes the following three bilateral projects:

- The EIB project **Filière du vin**, combining both financial and technical assistance, which aimed at strengthening the Moldovan wine sector; it was successfully completed in 2016 and its final results were discussed in the 2017 Consolidated Report;
- The **Support to SMEs in Rural Areas** project is implemented by the Organisation for SME Sector Development, and was launched in April 2018 in Moldova. It focuses specifically on women, providing investment grants and SME advice;

- The EBRD project **Armenia SME Finance and Advice Facility** plans to support SMEs through a private equity fund, as it aims at diversifying solutions available to SMEs. In addition, it also provides access to advice in order to promote SME competitiveness and greater investment readiness. The SME advice window is part of the larger Advice for Small Businesses programme under priority area 3.

The total EU contribution for these 17 access to finance projects is €259 million, which jointly have a total budget of €2.9 billion. The significant increase in comparison to last year is due to the implementation of the new EFSE project signed in December 2018. In this regard, EU contributions for the different 17 projects vary between €4 million (Support to SMEs in rural areas) and €50 million (The EU Local Currency Partnership Initiative: EFSE).

Table 2.1

Main KPIs to monitor progress of the Initiative under the priority area of improving access to finance

1.4	Total value of loans disbursed to SMEs
1.5	Number of SMEs that received loans
2.9a	Value of financing provided to PFIs and IFIs in local currency
2.9b	Value of financing provided to PFIs and IFIs in foreign currency

Source: EU4Business Secretariat

2.1.2 Priority area 2: Tackling inadequate policy and regulatory framework

An essential precondition for SMEs to grow and prosper is the existence of an adequate policy and regulatory framework. SMEs are often faced with unnecessary barriers such as red tape, which leads to frustrated entrepreneurs, who, in the worst cases, may even give up. In order to tackle these challenges, the EU4Business Initiative aims at improving transparency and cost-efficiency of administrative regulations through the improvement of SME policies and adoption of legislation which is in line with the Small Business Act.

Specific objectives defined under this priority area include:

- Improving SME policies in the EaP region in line with the SBA;
- Empowering Business Support Organisations (BSOs) to be able to participate in public-private dialogue;
- Encouraging SME involvement in anti-corruption mechanisms;
- Supporting SMEs in moving from the informal to the formal sector;
- Fostering enterprise creation;
- Accelerating the process of starting a business.

Projects and programmes under this second priority area are mainly focused on supporting governments and BSOs towards the development of coherent policy reform plans, SME strategies and legislative proposals. Due to the political nature of these activities, it is also crucial to ensure that all stakeholders are duly represented and able to influence the decision-making process. As a result, these projects also enable BSO empowerment and improvement of capacity to represent SMEs effectively in policy dialogues. Among others, these training activities focus on both hard skills, such as audit and accounting principles, as well as soft skills, such as how to improve the interaction between businesses and government.

Table 2.2

Main KPIs to monitor progress of the Initiative under the priority area of tackling inadequate policy and regulatory framework	
3.2	Number of BSOs supported with capacity building
3.3	Number of people from PFIs, BSOs and SMEs trained
3.6, 3.7	Number of laws drafted and implemented

Source: EU4Business Secretariat

The current EU4Business portfolio includes five projects under this priority, of which three are regional projects:

- **EU4Business – From Policies to Action (OECD)**, which is still ongoing;
- **SME Competitiveness Reforms (OECD)**, which ended in 2017; and
- **STAREP (World Bank)**, which recently ended in early 2019.

In addition, two bilateral projects are included in the portfolio. **FORBIZ** in Ukraine is the biggest programme under this priority area in terms of EU contribution, and is ongoing since 2016. The project, implemented by a consortium led by GFA, seeks to steer a shift in policy towards greater recognition of SMEs and the vital role they play in economic recovery, while addressing the challenge of reducing the regulatory burden and lessening risk for businesses. In Georgia, a new bilateral project, which started in December 2018, was added to the EU4Business portfolio under this priority: the **Financial Inclusion and Accountability** project is implemented by the World Bank and supports analytical, advisory and capacity building support to strengthen key elements and lay the foundations for enhancing financial inclusion and accountability in Georgia. It also aims at promoting better corporate and State-Owned Enterprise (SOE) governance and reporting, as well as enhancing the framework for capital and insurance market development.

Currently, the five projects account for a **total EU contribution of €20.9 million**, leveraging a **total budget of almost €26.4 million**.

Box 1: Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP), World Bank (2014-2019)

The STAREP project supported approximation with EU norms and the application of international standards for corporate financial reporting by building the capacity of relevant practitioners, policymakers and stakeholders. In order to achieve this, STAREP supported the modernization of corporate financial reporting frameworks and raised the capacity of local institutions to implement these frameworks directly.

Throughout its implementation, STAREP successfully **enhanced the capacity of 1,147 policymakers and practitioners** to develop, promote and apply suitable legal frameworks for SMEs and Small and Medium-sized Practices (SMPs). Concerning the legal framework, significant progress was made in **updating 310 legislative documents** and aligning them with the EU framework and good international practices. Finally, **over 2,500 people from SMEs, BSOs and PFIs received training**.

2.1.3 Priority area 3: Improving knowledge base and business skills

The third area of priority of EU4Business focuses on ensuring that the initiative’s beneficiaries possess the necessary knowledge and skills for their SMEs to thrive. Although all four priority areas are interlinked and mutually reinforce each other, projects and programmes under priority area 3 are the connecting element. For instance, in addition to providing financial support (priority area 1), which is of course one of the key challenges that SMEs face nowadays, it is also of equal importance to ensure that SME management has the ability to adequately make use of such support.

It would be unwise to provide financial assistance to an SME whose management staff has no basic knowledge on how to prepare financial statements, the importance of liquidity ratios, etc. For this reason, projects and programmes under priority area 3 focus on increasing SME investment readiness and making them more attractive to investors by improving their knowledge and business skills. It is also important to note that this support is not exclusively dedicated to SMEs, but also to BSOs so that they have the ability to support those SMEs seeking assistance.

Specific objectives under this priority area include:

- Assisting BSOs and local consulting companies in designing and proposing business services to SMEs;
- Developing the offer of vocational training for SMEs;

- Supporting universities in order to develop and deliver entrepreneurial curricula for students and vocational training for entrepreneurs.

Consequently, in order to improve the business environment and facilitate SME development, there are many projects and programmes under this priority area. The support provided focuses on a wide variety of topics, such as improving management effectiveness and market performance, improving financial management and reporting, understanding quality management and existing certifications.

In order to monitor the progress achieved on the elements above, the following KPIs are reported.

Table 2.3

Main KPIs to monitor progress of the Initiative under the priority area of improving knowledge base and business base skills

2.2	Number of SMEs supported with EU4B Programmes providing advisory services
2.3	Number of people in SMEs trained or coached
2.4	Number of women in SMEs trained or coached
3.2	Number of BSOs supported with capacity building
3.3	Number of people from PFIs, BSOs and SMEs trained

Source: EU4Business Secretariat

There are currently 20 projects and programmes under this priority area. Four projects have ended, of which one, **Advice to Small Businesses Phase I¹⁵**, ended in 2018. Three more projects have been added since the Annual Report 2018 was published in June. The total EU contribution for these 20 projects is **over €105 million** and the **total budget is almost €124 million**.

Six out of the 20 projects under this priority area are implemented by the EBRD under the umbrella name of Advice for Small Businesses, which includes the only three regional projects for this priority. With the TAM/BAS programme completed in 2015 and Advice to Small Businesses Phase I which ended in 2018 (see box 2), the only regional programme still running is Advice to Small Businesses Phase II until the end of 2019.

All three newly-added projects are bilateral and implemented in Georgia. The World Bank project **Increasing Institutional Capacity for Innovation** started at the end of 2018 and will run for four years. Its main objective is to increase the ability of Georgia's Innovation and Technology Agency (GITA) to effectively coordinate the government's approach to innovation policy formulation and implementation.

¹⁵ Since "Advice to Small Business Phase I" and "Advice to Small Business Phase II" are reported together, an assumption has been made that the results reported are equally divided between the two projects.

As such, this project focuses on supporting innovation and entrepreneurship policies and programmes, and targets not only GITA and Georgian innovative start-ups but also research teams from universities and institutes.

Also signed at the end of 2018, the project **Green Economy: Sustainable Mountain Tourism and Organic Agriculture** (GRETA) has a specific focus on rural SMEs active in the mountain tourism sector. Implemented by the Austrian Development Agency (ADA), this project aims at reducing poverty and exclusion in selected areas by facilitating an improvement of the business environment in sustainable mountain tourism and organic agriculture. Furthermore, this project does not target rural SMEs exclusively, but also certification bodies, other tourism service suppliers, and will also ultimately benefit public sector institutions, Civil Society Organisations and local communities.

Lastly, the four-year UNDP project **EU Innovative Action for Private Sector Competitiveness in Georgia** (EU IPSC) started in February 2019 and was recently added to the EU4Business portfolio, as it aims at enhancing entrepreneurship and business sophistication. This is achieved with a twofold approach: strengthening governmental capacity to develop and operate clusters as well as supporting companies directly with strategic investments and better connections to diaspora groups.



Box 2: Advice to Small Businesses - Phase I, EBRD (2013-2018)

In view of promoting good management in the micro, small and medium-sized enterprise (MSME), this project focused on providing direct technical assistance to individual enterprises, thereby helping them to grow their businesses.

Under Advice to Small Businesses – Phase I, the EBRD approved over 550 small grant projects for advisory services to enterprises provided by local consultants. The supported projects most often aimed at improving the management effectiveness and market performance of the assisted enterprises by providing advice on ICT, marketing, strategy, quality management and internal organisational capacity.

In addition, the project also assisted enterprises at a more mature stage of development, operating in strategic industries, with projects for advisory services delivered by international advisers with senior management experience within the same industry. Over 40 SMEs received this type of technical assistance with international advisers. During its implementation, this programme prepared companies for investment and assisted emerging mid-sized businesses to become more creditworthy and, therefore, more bankable.

Over 10,000 new jobs were created and **over 34,000 jobs** were supported through this project.

2.1.4 Priority area 4: Improving access to markets

The last priority area of the EU4Business Initiative focuses on enabling SMEs to go beyond their geographical location and provide them with expansion opportunities, not only at a national/regional level but also international. Since most SMEs lack the ability to take a strong position in negotiations with international trade partners or even attract foreign customers, projects and programmes under this priority area aim at addressing this knowledge gap. The provision of training to SMEs on how to comply with DCFTA provisions, product standards and certifications in the European Union market, dealing with trade barriers, etc., all ultimately lead to greater internationalization and investment opportunities, as it makes businesses ready and capable of receiving foreign direct investment (FDI). These are exactly the specific objectives identified for this priority area:

- Supporting SMEs in trading with the EU and within the EaP region;
- Enabling SMEs to benefit from FDI;
- Supporting SMEs in implementing the DCFTAs.

In order to monitor the progress achieved on the elements above, the following KPIs are reported.

Table 2.4

Main KPIs to monitor progress of the Initiative under the priority area of improving access to markets	
1.2	Annual turnover of supported SMEs
2.2	Number of SMEs supported with advisory services
3.1	Number of new jobs
3.2	Number of BSOs supported with capacity building

Source: EU4Business Secretariat

Currently, there are seven projects under this priority. Since the Annual Report 2018 was published, one additional bilateral project has been signed, **Clusters 4 Development - Better Business Sophistication in Georgia**, implemented by GIZ, which will start in July 2019 and end in 2023. This project aims at improving the institutional framework for clusters and business development, as well as enhancing the business performance of private sector actors in the construction, tourism and apparel sectors. The aggregated EU contribution for these projects accounts for **€31 million**, and the **total budget to €37 million**.

2.2 Improving access to finance through tailored lending facilities

Access to finance is important at all stages of the business life cycle, whether it is at the start-up phase or for further development and growth of the SME. SMEs, however, are typically disadvantaged compared to large firms in accessing debt finance. The EU4Business Initiative focuses specifically on the obstacles that SMEs encounter in access to finance, by targeting both SMEs and PFIs with special developed financial mechanisms. It aims at strengthening the capacities of SMEs to access finance by providing grants or other incentive payments, or by mitigating the risks taken by PFIs in their on-lending to SMEs, which could result in better offerings to SMEs. The diversity of financial instruments available within the EU4Business Initiative serve different types of SMEs, depending on the country, the size or the sector of the SME, and have different leveraging effects, but, as our results presented here show, the Initiative brings well-tailored approaches to create better access to finance for SMEs in the Eastern Partner countries.

A diversity of financial instruments...

Figure 2.1 gives an overview of the different financial instruments used by the projects in the EU4Business Initiative. Loan guarantee schemes are widely used, with ten of the 17 access to finance programmes

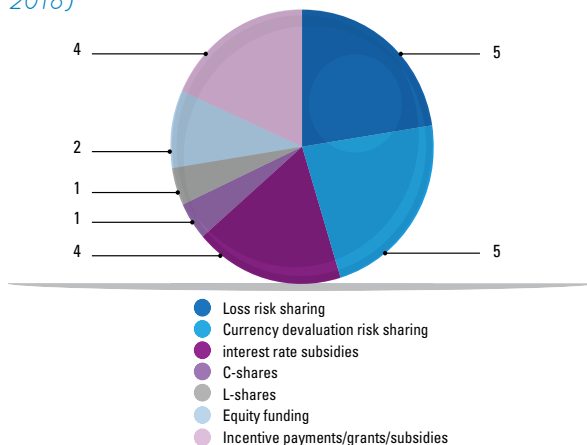
including this type of financial instrument; five are of the loss risk sharing type, and the remaining five cover the risk from currency devaluation. In some cases, these loan guarantee schemes are combined with interest rate subsidies to PFIs (4 out of the 10 instruments), which are mainly used for reducing the cost of a full FX hedge.

The instrument for **loss risk sharing** uses EU funding to guarantee potential losses of PFIs up to a certain percentage of the loaned value; the percentages being between 50% and 70% of the loans to SMEs, with a cap at 10% to 25% (depending on the contract) of the total loan to the PFI. The EU funding therefore typically covers 10% of the total volume of loans provided by IFIs to PFIs for on-lending to SMEs.

The instrument for sharing the risk of currency devaluation was added to the EU4Business portfolio in 2016. The unstable economic and financial situation, particularly in Ukraine, complicated the roll-out of the loan guarantee schemes with loss risk sharing. The risks related to currency devaluation made it less attractive to engage in foreign currency lending. The instruments for sharing currency devaluation risk promote FX lending by offsetting some of the risk (up to predefined maximum devaluation ceiling).

Given the volatility of the local currencies, local currency lending was one of the targets defined in the Eastern Partnership 20 Deliverables for 2020. With the introduction of the **SME Finance Facility Phase II and EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)**, the target of providing at least a quarter of EU financial support to SMEs through local currency lending was reached at the end of 2018. The EFSE programme makes it possible to provide access to medium-term credit in local currency in the form of L-shares that cover risks related to foreign exchange rate fluctuations.

Figure 2.1: Overview of financial instruments used within EU4Business (based data 2009-2018)



Source: EU4Business Secretariat

The use of traditional incentive payments such as grants and subsidies is also applied in different EU4Business projects, often in combination with loan guarantee schemes. To a lesser extent, equity funding is also being considered as an option to provide financing to SMEs; these initiatives however, are limited to microfinancing. The **Armenian SME Finance and Advice Facility** will offer SMEs limited equity for up to 7 years and also provides them with business support¹⁶. The programme is interesting, as it will allow the creation of the first equity fund in Armenia.

The overall **leveraging effect of the financial instruments** within the EU4Business Initiative is 8.7¹⁷. A more detailed analysis of the three largest financial instruments (the **SME Finance Facility**¹⁸, the **DCFTA Facility by EBRD**¹⁹ and **EFSE**²⁰) shows that leverage ratios can differ significantly from programme to programme. While for EFSE this ratio is no less than 47, the DCFTA Facility by EBRD has a ratio of 19.7, and the SME Finance Facility one of 6.37. We note that this leverage effect simply tells us about the extra reach of funds contributed by the EU, i.e. the size of the total project relative to the EU contribution. This leverage ratio should not be used to compare the performance of the three lending facilities, since the set-up and target beneficiaries of the different financial instruments can, and in practice do, differ.

... unlocking loans to SMEs

During the period 2009-2018, IFIs have provided €1.45 billion to PFIs for onward lending to SMEs within the EU4Business Initiative, of which €352 million was added in 2018. Figure 2.2 clearly shows that in recent years local currency lending has become much more prevalent. The volume of lending in local currency was, except in Georgia, quite limited before 2017.

¹⁶ The equity fund will become active in 2019.

¹⁷ This is the ratio of the total budget for all access to finance programmes, divided by the EU contribution to these programmes. This calculation does not include the EU contribution for the new EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE) programme, since no actual disbursement took place under this programme in 2018.

¹⁸ SME Finance Facility includes the two phases implemented by EBRD, KfW and EIB.

¹⁹ For communication purposes this programme is called EU4Business - EBRD Credit Line and may from henceforth be referred to as such.

²⁰ This refers only to EFSE (Neighbourhood Window of the European Fund For South East Europe - ENR Component) and does not include EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE).



Armenia:

Weaving tradition towards export success

“

Thanks to the contacts we established with the support of the EU, quality threads as well as international markets became part of our work.”

Inga Manukyan

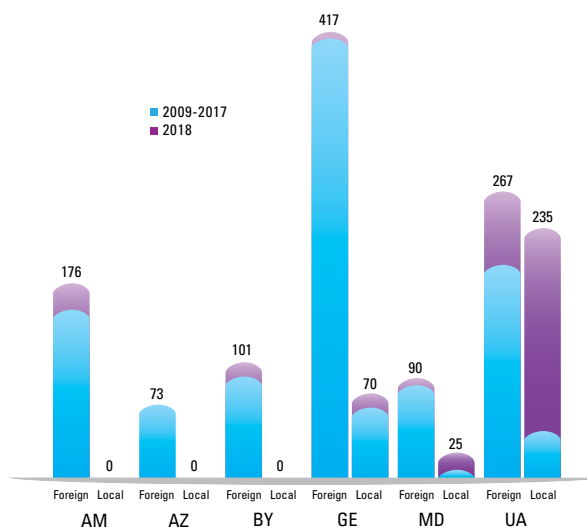
Co-founder, director and designer of LOOM LLC

Women in Business programme and EU-SMEDA

Thanks to EU4Business support, LOOM Weaving has expanded its knitwear business beyond the borders of Armenia: advisory support from the EBRD set the company going in branding, finances and sales, while networking support from the EU-SMEDA project supported participation in European trade fairs.

The number of access to finance projects implemented in Armenia, Azerbaijan and Belarus is lower than in the other three countries, which is reflected in the volume of loans to PFIs (see Figure 2.2). The majority of the EU funding for financial instruments are allocated to the three DCFTA countries. Local currency lending is currently only provided for in the DCFTA countries. Similarly, the new EFSE programme will also be mainly implemented in these countries – with an earmarked budget of €24 million out of the €50 million. The remaining amount of €26 million can be used to also provide loans in the other three Eastern Partner countries.

Figure 2.2 Total volume of loans to PFIs in local and foreign currency in million euro



Source: EU4Business Secretariat

The financial instruments under the EU4Business Initiative have unlocked **a total value of loans by PFIs and IFIs to final SME beneficiaries of €2.47 billion over the period 2009-2018**, which is an increase of €318 million in 2018 (see Figure 2.3). This brings the total number of SMEs receiving loans from the EU4Business programme for the period 2009-2018 to almost 80,000 SMEs²¹.

During 2018, over 6,000 SMEs received loans within the framework of the EU4Business Initiative. These loans are distributed by 45 unique PFIs.

21 This number is lower than the 100,000 supported SMEs in the 2017 Consolidated Report. This is because three energy projects (Green for Growth, Identification and Promotion of Energy Efficiency investments, and the South Caucasus Sustainable Energy Finance Facility) were moved from the EU4Business to the EU4Energy portfolio. As a consequence, the results for these projects are no longer included in the monitoring of the EU4Business Initiative.

Differences in volume and number of loans exist between countries...

Looking at the loan figures by Eastern Partner country, Figures 2.3 and 2.4 show that the **largest size of the lending** (both in terms of number and volume of loans) is distributed in Georgia. However, the introduction of the local currency lending mechanisms seem to have had an impact on the number of loans in Ukraine. The figures show clearly that, particularly in 2018, the volume of loans has increased significantly, which can be linked directly to the fact that implementation of these new financial instruments started mainly from the end of 2017.

The relatively large number and volume of loans in Azerbaijan can be fully attributed to the introduction of the **EFSE** programme during 2009-2015. The disbursements in Azerbaijan came to a halt in 2015. This can be explained by the political and governance problems being experienced in Azerbaijan. One of EFSE's partner institutions experienced a significant crisis resulting in EFSE having to write off one of its loans. As a result of this experience, EFSE became cautious in extending credit lines to PFIs in Azerbaijan. Other implementers have for the same reason not initiated new cooperation agreements with PFIs in Azerbaijan.

In Armenia, **EFSE** and the **Women in Business** programme are the two projects through which loans have been disbursed. The recent loans added in 2018 have been allocated fully through the Women in Business programme.

A significant increase in the number of loans was seen in Belarus in 2018. These loans are all disbursed in the framework of the **Women in Business** programme, and concern only low value loans. As mentioned in the Women in Business progress report, new banking regulations imposed by the National Bank of the Republic of Belarus involve setting a cap for lending operations.²²

Moreover, hard currency loans from the EBRD credit lines are currently more expensive than local currency loans from banks own funds, as also confirmed by participants in the focus group, who claimed that EU4Business financial mechanisms were not interesting for them as interest rates offered were too high in comparison to normal loans offered by their banks.

22 Women in Business, progress report 2018, p.6.



EU4Business

Azerbaijan: The sweet taste of success



Thanks to the project support, we have standards that guarantee that all the products in our shops are fresh and stored in a safe way. When the consultant was invited, we had 14 shops, and now we have 54.”

Rahman Abdurahmanov

General Director of AZZA Cake House

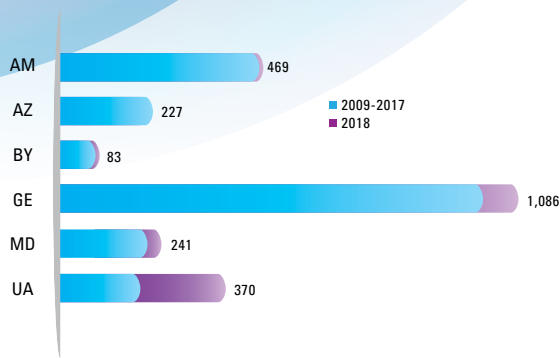
Advice for Small Businesses



AZZA Cake House today boasts the largest network of cake shops in the country. Ten years ago, the idea was born from the delicious cakes served at a café in Baku: since then, EU4Business support has helped the business achieve ISO 22000 certification, while EBRD consultancies from top international experts have helped transform production and sales.

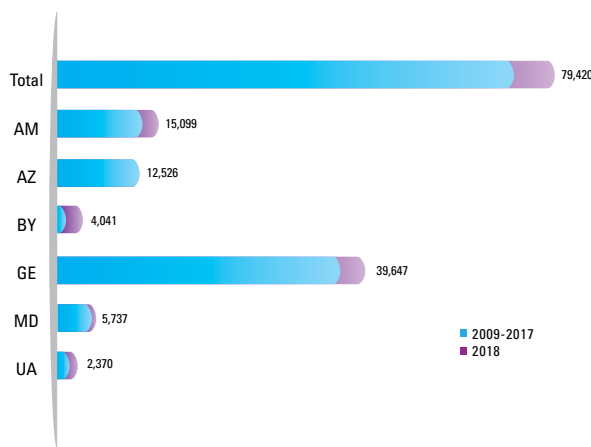


Figure 2.3 Total value of loans disbursed to SMEs by PFIs and IFIs in million euro



Source: EU4Business Secretariat

Figure 2.4 Number of SMEs that received loans from PFIs and IFIs



Source: EU4Business Secretariat

... and between sectors of SMEs

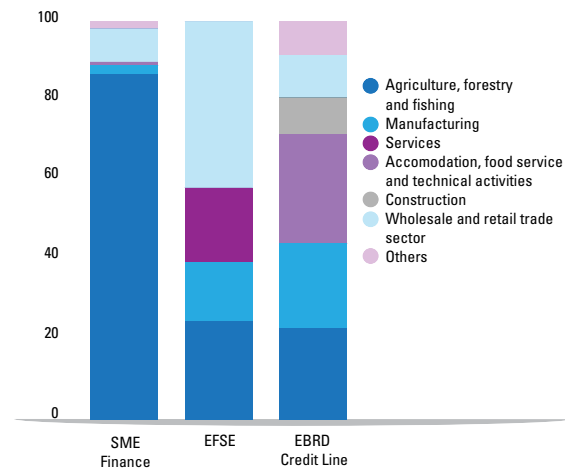
A rough calculation, dividing the total value of loans by the number of SMEs receiving these loans, gives an average size of loan of around €31,000 for loans disbursed within the EU4Business Initiative. The average loan amount can, however, differ significantly depending on the project. The average loan size within the SME Finance Facility and EFSE are under €10,000, while for the EU4Business - EBRD Credit Line facility the average size of the loan is over €450,000.

The **EBRD DCFTA Direct Finance Facility** has an average loan size of about €2.2 million, significantly higher than the average loan size for other projects in the EU4Business programme. An important factor determining the average loan amount is the maturity and size of the beneficiary companies who receive these loans. For instance, the **EU4Business - EBRD Credit Line** facility lends to businesses that are engaged in exports. Companies engaged in exports are typically more mature and tend to have larger financing needs than companies that focus on the domestic market.

While detailed figures on the **sectors in which beneficiary SMEs are active** are not available for all projects, analysis of the three largest programmes

under priority area 1 (the **SME Finance Facility**²³, the **EU4Business-EBRD Credit Lines**²⁴ and the **EFSE**²⁵ programmes) shows that agriculture and fisheries are important beneficiaries of loans that are, in part, made possible by EU contributions (see Figure 2.5). The **SME Finance Facility** has made the bulk of its loans (87%) to SMEs operating in the agriculture, forestry and fishing sector. The **EFSE** programme has made many more loans than the SME Facility and the bulk of loans are to SMEs in the wholesale and retail trade (41%), agriculture, forestry and fishing (24%), and services sectors (18%). The loans by the **EU4Business-EBRD Credit Lines** are better distributed across different sectors than the loans made by the other two instruments, but here too, the agriculture, forestry and fishing sector is the sector with the second highest percentage of loans (after accommodation, food services, and technical activities).

Figure 2.5 Distribution of volume of onwads loans to SMEs, by Sector & by Instrument



Source: EU4Business Secretariat

Overall the financial instruments increase access to finance for SMEs in Eastern Partner countries

The preceding graphs and figures show that the EU4Business Initiative has been successful in creating better access to finance for SMEs. The volume of funds available to SMEs has been increasing, the volume of loans, and the number of SMEs which receive loans are also increasing. When specific problems have arisen (for example exchange rate volatility), the EU4Business Initiative has responded by developing new instruments for lending to SMEs, keeping in mind these challenges (in this case local currency lending).

23 SME Finance Facility includes the two phases implemented by EBRD, KfW and EIB.
 24 This includes EU4Business - EBRD Credit Line - phase 1 and phase 2
 25 This refers only to EFSE (Neighbourhood Window of the European Fund For South East Europe - ENR Component) and does not include EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE).



EU4Business

Azerbaijan: Advice leads to success



“Thanks to the expert consultation, we’ve successfully managed the stock and returned our debt on time. We learned how to organise the right sales tactics oriented at different customer categories and how to set up effective teamwork.”

Aydin Aliyev

Co-owner of Sermar LLC

Advice for Small Businesses

Support from an EBRD consultant helped Sermar LLC, a seller of ceramic tiles and accessories, to overcome the 2016 crisis, developing a crisis management plan and providing training for management and staff. Aydin Aliyev says that thanks to the advice of European experts and the economic reforms being implemented in Azerbaijan his business has started to recover, and now they cooperate with major developers.

Interestingly, the risk sharing funds in the various financial facilities, have been used only to a small degree. This clearly indicates that the estimate of the risks involved in lending to SMEs by PFIs have been too high. Hopefully, the experience of lending to SMEs as part of the EU4Business programme will induce PFIs to modify their perceptions about the risks involved in SME lending, and enable them to do so even without the protections offered by the EU4Business Initiative. Thus, the specific objective of lowering the perceived risk of lending to SMEs has clearly been met. Similarly, the objective of increasing local currency lending by PFIs has also been reached; the recently signed **EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)** will further contribute to this objective.

Nevertheless, it is difficult to assess to what extent the financial instruments in place cover the risks for the PFIs and contribute to better lending conditions for SMEs, i.e., improving SMEs to access financing. Results from focus groups conducted in the six Eastern Partner countries in the period March-May 2019 show that access to finance remains an issue for SMEs. Specific conditions linked to the EU4Business financial instruments, e.g. advisory services linked to loans, may make the loans less interesting when all the costs are added up. It is also not entirely clear to what extent PFIs offer interest rates lower than are normally offered by the market. Participants in the Belarusian focus group said their own banks offered better conditions than what was offered through the EU4Business programmes, and in Ukraine, participants claimed “not to be taken seriously” when seeing the interest rates offered through the EU4Business programmes. Products offered to SMEs by PFIs seem therefore not always to be suitable for the variety of SMEs that exist, focussing primarily on the existing pool of more established SMEs in specific sectors.

For those SMEs that did receive financing through the EU4Business Initiative, there are ample examples of success stories, like those of Manana Chqareuli (Georgia)²⁶, Olga Radinovich (Ukraine)²⁷, Inga Gelovani (Georgia)²⁸, or Vadim Burussus (Moldova)²⁹, showing that the initiative does bring added value to the almost 80,000 beneficiary SMEs.

While access to finance might differ from country to country and from sector to sector, the presented figures and success stories show that the EU4Business Initiative, with its variety of financial instruments, is successful in creating a better access to finance for SMEs in the Eastern Partner countries.

²⁶ For the related success story, please refer to page 43

²⁷ For the related success story, please refer to page 47

²⁸ For the related success story, please refer to page 55

²⁹ For the related success story, please refer to page 57

2.3 Improving knowledge base and business skills through trainings and consulting services

Technical Assistance forms a large part of the EU4Business Initiative’s portfolio. Most projects and programmes within the EU4Business Initiative include a technical assistance component or are even exclusively focused on technical assistance. Technical assistance includes training and capacity building of participating financial institutions (PFIs), Business Support Organisations (BSOs) and most importantly SMEs themselves.

Focus group results show that technical assistance is of utmost importance in the development of SMEs, not only within SMEs but also within PFIs and BSOs (see also Chapter 3). SMEs themselves need knowledge and understanding of possibilities to further develop and expand their own businesses, but they also need within PFIs and BSOs reliable partners to receive full and correct information to help them further. Particularly in the framework of DCFTA, where SMEs are confronted with new, mainly regulatory challenges, in-depth knowledge is necessary in order to fully reap the benefits of the agreement.

2.3.1 Capacity building and training of PFIs

Local financial institutions in the six Eastern Partner countries do not, in general, have a strong and long-standing experience in the SME market segment. They are often reluctant to lend to SMEs because they are not well placed to properly assess the risks associated with these SMEs. Improving access to finance for SMEs therefore also requires increased knowledge and skills development of the people working in the participating financial institutions. Most projects under the EU4Business Initiative focussing on the access to finance priority area specifically include funds to improve the capacity of PFIs to better serve and meet the needs of SMEs, and to reach out to them more effectively.

To this end, eight of the 17 Access to Finance projects provide some form of Technical Assistance to the Partner Financial Institutions³⁰.

³⁰ Specific budget lines for technical assistance for PFIs are defined in the following EU4Business programmes: SME Finance Facility Phase I (EBRD/KfW), SME Finance Facility Phase I (EIB), Women in Business (EBRD), DCFTA Initiative East (EIB), DCFTA Facility (EBRD), DCFTA SME Direct Finance Facility (EBRD), Framework for Capacity Building to support Financial Intermediaries in Azerbaijan and Georgia (EBRD), and Financial Sector Institution Building and Crisis Response (EBRD).



EU4Business

Georgia: Georgian ICT Cluster – a new player in the field



Through the cluster, we can consolidate resources and compete with experienced international companies with joint forces.”

George Mzhavanadze

Executive Partner at Do So Management, member of the Georgian ICT Cluster management board

SME Development and DCFTA in Georgia

The Georgian ICT Cluster was established in December 2017 with the support of the EU-funded ‘SME Development and DCFTA in Georgia’ project. The cluster supports participation in public policy development for the ICT sector, dialogue with state agencies, and education – fostering the development of a professional workforce that will meet current industry demands and the challenge of internationalisation.

The total Technical Assistance to be delivered to PFIs during the life of these projects will be almost €30 million³¹. The bulk of this Technical Assistance is provided under the auspices of the Deep and Comprehensive Free Trade Area (DCFTA) facility (€16.87 M).

The capacity building and training component of the programmes and projects focus on improving:

- Core competences of PFIs, for example, risk assessment and management, so as to improve the efficiency and effectiveness of the PFIs' operations.
- Ability of the PFIs to cater to the needs of SMEs by developing new products specifically for SMEs.
- Marketing and outreach of the PFIs so as to stimulate demand for loans

The above is done by:

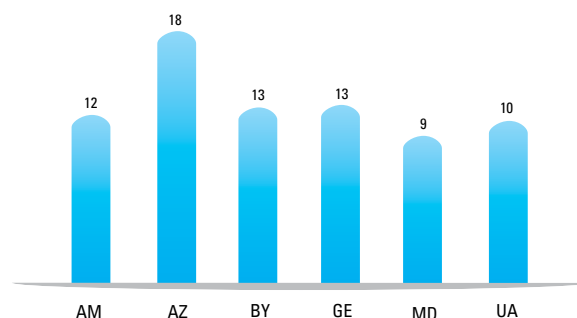
- Developing training and education materials for the PFIs.
- Training staff and management of the PFIs in a variety of areas (for example, digital marketing, assessing small scale projects, data collection and analysis).
- Providing consultancy/advisory services on an as-needed basis to PFIs.

Development of capacity building and training activities for PFIs seems to have received less attention in the past year of the EU4Business Initiative as no new PFIs were involved in 2018. In total, 75 unique PFIs have been involved in EU4Business projects and programmes over the last 10 years (see Figure 2.6). The majority of these have received assistance under the **Financial Sector Institution Building and Crisis Response programme**³². This programme was set up in 2009 to provide assistance to banks which were particularly affected by the global financial crisis. Moreover, the programme aims to improve efficiency, effectiveness and transparency in the sector and to maintain or create successful and healthy institutions that finance the real economy, operate on market principles and follow sound business practices. The programme received an extension from the end of 2017 until December 2020 to utilise the remaining funding on ongoing projects.

Since in 2018 no new PFIs were involved in training and capacity building, but also because no new activities were developed within the already involved PFIs, figures on the number of people in PFIs trained or coached by Eastern Partner country have not changed compared to the 2018 annual report (see Figure 2.7).

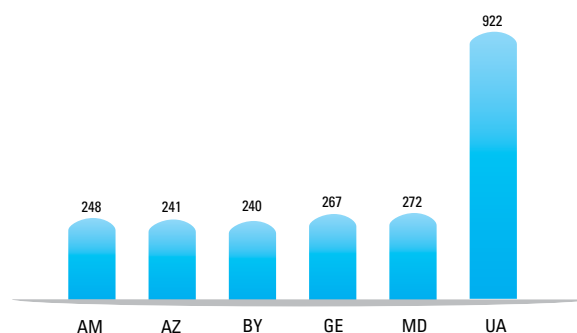
Nevertheless, it must be emphasized that this reported figure must likely be an underestimation of the actual number, as not all programmes and projects report detailed figures.

Figure 2.6 Number of unique PFIs receiving technical assistance by Eastern Partner country, 2009-2018



Source: EU4Business Secretariat

Figure 2.7 Number of people in PFIs trained or coached by Eastern Partner country, 2009-2018



Source: EU4Business Secretariat

Information on the results and effects of the capacity building and training activities of PFIs is rather scarce. Some evidence shows that implementation of this type of technical assistance does encounter some difficulties. The technical assistance component of the **SME Finance Facility phase 1** implemented by the EIB has, for example, not been implemented to date. The agreements on capacity building support between the EIB and PCB Armenia and Moldova could not be executed, and it was terminated in December 2014. No further initiatives have been reported on by the EIB.

If implemented effectively, the effects of these technical assistance activities can, in some cases, have significant impacts. For example, in Georgia, as reported in the framework of **SME Finance Facility Phase 1 (EBRD/KfW)**, from 2012 to 2015 the agricultural loan portfolios of three micro-finance institutions increased by between 185% and 260%.

Discussions within the focus groups held with SME owners in the six Eastern Partner countries show that there is still room for further efforts to increase

31 € 19.2 million has been earmarked in the different programmes and projects falling under priority area 1, in addition Financial Sector Institution Building and Crisis Response has a total EU contribution of € 12 million which we consider part of the mentioned € 30 million, except for the earmarked part in this programme which is to be used for projects in Russia (€ 2.4 million).

32 Please note that the PFIs receiving assistance under this programme were not included in the Annual Report 2018.

capacity building and training of PFIs. Participants pointed out that, particularly in rural areas, PFI staff still lack the knowledge and skills to provide balanced and informed advice on SME financing opportunities. This knowledge is not just the basic knowledge on the existence of EU4Business and its funding opportunities for SMEs, but also a broader knowledge on risk assessment of SME financing. Moreover, our analysis has demonstrated a need to reinforce the coordination of Technical Assistance support to IFIs in order to ensure complementarity and synergies.

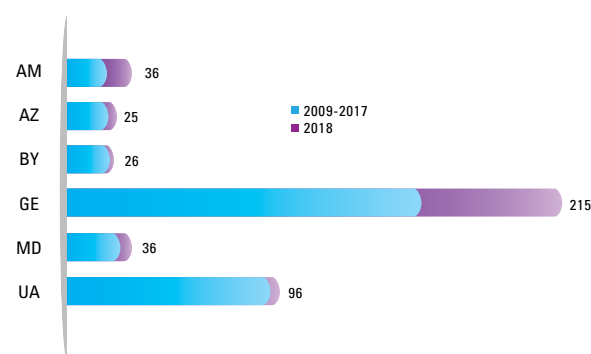
2.3.2 BSO empowerment

The EU4Business Initiative has a significant focus on supporting Business Support Organisations (BSOs) through improved capacity building and empowerment. As such, over 20% of EU4Business projects (11 out of 49) focus on building capacity of business membership organisations and civil society organisations (CSOs) which are active in the field of economic reforms, local and regional development³³. Support within the EU4Business Initiative focuses on three main areas of BSO empowerment:

- A. strengthening the organisational capacity of BSOs;
- B. improving their services to SMEs;
- C. enhancing their capacity to participate effectively in private-public dialogue on SME policy and business environment.

By the end of 2018, EU4Business contributed to the capacity building of over 430 BSOs of which more than 80 organisations were supported in 2018 (Figure 2.8). Among the beneficiary BSOs are the leading national and regional chambers of commerce and industry, sectoral business associations and cluster organisations in Eastern Partner countries. Around half of the supported organisations operate in Georgia. These BSOs were all supported in the framework of two bilateral projects, **Georgia on European way: Creation of Effective Model for DCFTA and SME Strategy Implementation** and **Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy**.

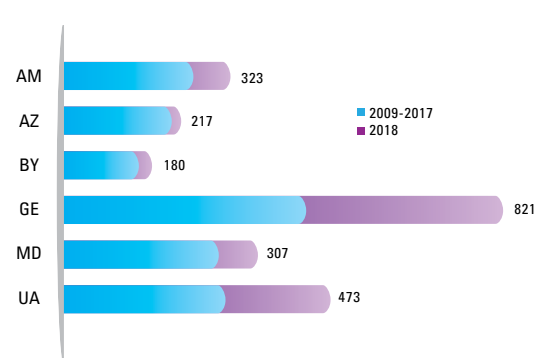
Figure 2.8 Number of BSOs supported with capacity building by Eastern Partner country



Source: EU4Business Secretariat

Over 2,300 representatives of BSOs took part in trainings, exchanges and other capacity building actions, including more than 600 in 2018 (Figure 2.9).

Figure 2.9 Number of people in BSOs trained or coached by Eastern Partner country



Source: EU4Business Secretariat

A. Strengthening BSOs' organisational capacity

The EU4Business Initiative **strengthened the organisational capacity** of approximately 150 leading business sector organisations (such as chambers of commerce, industry and professional associations) in all Eastern Partner countries. The projects enhanced the knowledge and skills of the executives and staff of the BSOs through training and exchange of experience on all aspects of BSO management (membership building, strategic planning, quality management, human resource management, communication). The implemented projects led to the establishment of long-term contacts between organisations in Eastern Partner and EU countries, and the integration of Eastern Partner BSOs in European networks for enterprise development, investment and export promotion.

The story of Natalia Garbuz (Belarus) is particularly interesting, as it clearly illustrates how even after the end of the EU4Business Initiative support, its effects remain ongoing and lasting³⁴.

33 Three regional projects East Invest I & II, Ready to Trade, and eight country specific projects – Armenia: SMEDA, Support to the European Business Association Armenia; Georgia: SME Development and DCFTA, Georgia on European way, Engaging Civil Society in the Implementation of the EU-Georgia FTA and SME Policy; Moldova: Support to the quality infrastructure framework within DCFTA; Ukraine: Network of Business Support Centres in Ukraine, FORBIZ.

34 For the related success story, please refer to page 40

Belarus: Moving ahead together

"The consortium was born because people realised that they need it. We are very similar in terms of the condition of small and medium-sized entrepreneurship, we have the same growth problems, we have a common goal – to reach the group of developed countries."

Natalia Garbuz is country facilitator of the newly established Public Private Dialogue (PPD) Network. The PPD's members had the idea of working together after joint participation on the East Invest 2 project, funded by the European Union as part of the EU4Business Initiative.

B. Improving BSOs' services to SMEs

The BSO capacity building actions have a special focus on **widening the range and increasing the quality of services to SMEs**. Through training, coaching and demonstration of good practices, the implemented projects enhance the capacity of the assisted BSOs to assess the needs of SMEs, and to plan, develop and market new business development services. The projects increased the technical expertise of BSO staff in export promotion, EU standards and requirements and DCFTA, developed specialised training programmes and trained BSO trainers. In 2018 alone, almost 180 BSOs in Georgia, Armenia and Ukraine benefited from training and coaching in organisational development targeting improved service delivery.

The EU4Business projects also provide direct assistance to BSOs to **develop new services for SMEs**. In the period 2010-2017, the East Invest projects assisted BSOs in the development of 60 new business services, mainly related to export and investment promotion. Since 2017, the **Network of Business Support Centres** project in Ukraine has been supporting the establishment of a regional network of 15 business information support centres (BISCs) through capacity building of existing BSOs. The network developed specialised services for SMEs and in 2018 implemented 170 trainings, seminars and other events. In Georgia, the **SME Development and DCFTA** project supported the establishment of DCFTA Information Centres within the Georgian Chamber of Commerce and Industry, with offices in four regions, which provide information, consultations and trainings to SMEs on DCFTA related issues.

In recent years, EU4Business projects increasingly focus on **enhancing the capacity of sectoral business associations and cluster organisations** to provide high-value added services to SMEs. In 2017-2018, the EU4Business Initiative provided support to the establishment and strengthening of clusters and business networks in three Eastern Partner countries, which included capacity building of BSOs on cluster formation and direct support to cluster initiatives in priority sectors.

In 2018, the **Network of Business Support Centres** in Ukraine conducted training and networking events on cluster formation for stakeholders and staff of the BiSC network in five regions. It also supported the creation and strengthening of associations in eight sub-sectors of the agri-food industry, apparel, footwear and furniture industries, and enhanced their export promotion potential. Since 2016 in Georgia, the **SME Development and DCFTA** project has been supporting cluster initiatives in five sectors, which resulted in the registration of three cluster organisations (furniture/interior design, film production/post-production, ICT). In Armenia, the **SMEDA** project assisted cluster initiatives in precision engineering and creative industries, and in 2018 provided action grants to two BSO networks for the development of sectoral services in the field of textile, apparel, fashion and design.

The **EBRD Advice for Small Businesses** programmes provide further support to BSOs by developing their services. By conducting regular consultancy market reviews and delivering over 200 trainings, seminars and networking events targeting private consultants, these projects contribute to the increased supply, quality and range of business development services.

In addition, EBRD projects have also contributed to the establishment and strengthening of specific BSOs such as professional associations of consultants, which aim at promoting best practice professional standards in the field of management consulting. Their added value can be illustrated by the story of Iana Ursu (Moldova), who participated in a training of the Moldovan Chamber of Commerce and Industry, established with EU4Business support³⁵.

Bringing all these efforts together, one can conclude that the EU4Business Initiative has clearly contributed to reach the target defined under the 2020 Deliverables stating that *"150 supported client-oriented business support organisations improved their services to SMEs, also in relations to the DCFTA requirements, as well as global market requirements"*.

C. Enhancing their capacity to participate effectively in private-public dialogue on SME policy and business environment

Since 2015, some of the EU4Business projects have focused specifically on **enhancing BSO capacity in business advocacy and effective participation in public-private dialogue**. The projects implemented training and coaching programmes for the management and staff of BSOs, contributing to improved skills and knowledge in policy analysis, advocacy, networking and coalition building, negotiation and communications.

³⁵ For the related success story, please refer to page 59

In 2017-2018, various training and coaching actions for capacity building of BSOs on private-public dialogue were implemented through **SMEDA** in Armenia, **SME Development and DCFTA** in Georgia and Moldova and **FORBIZ** in Ukraine. Capacity was also strengthened through the engagement of BSOs in different public-private dialogue platforms, such as working groups, business councils and forums. In 2017 in Armenia under the SMEDA project, two action grants supported the implementation of joint BSO projects, which established a whistle-blowing website for businesses, provided legal advice and developed specific proposals to improve the business environment. The website has until now only had a low number of notifications, but contributes in itself to creating an open and transparent business environment.

The EU4Business Initiative also supports the empowerment of CSOs in research, advocacy, monitoring and engagement in public-private dialogue on SME policy and DCFTA issues. Since 2017, two projects in Georgia³⁶ implement actions for strengthening the capacity and engagement of regional and local CSOs in public-private dialogue on SME strategy and DCFTA. Through these projects, more than 200 CSOs have been trained and engaged in different dialogue forums and advocacy activities. In addition, 60 small grants to local CSOs were awarded for implementation of various awareness raising and consultation events at local level, which started implementation in 2018.

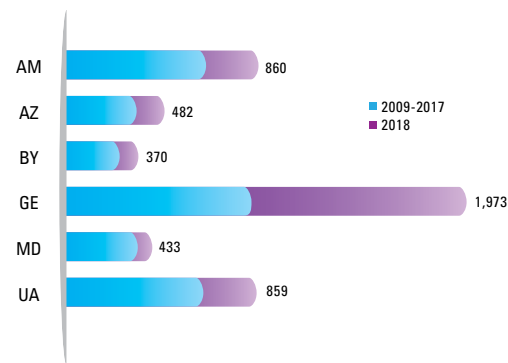
These projects established permanent multi-level consultation platforms, including 10 Local Advisory Councils with representatives of local authorities, CSOs and SMEs for the discussion of problems at local level. An interesting story in this respect is the creation of a Georgian ICT cluster under SME Development and DCFTA in Georgia. This cluster supports participation in public policy development for the ICT sector, dialogue with state agencies, and education, thus fostering the development of a professional workforce that will be able to meet current industry demands and the challenge of internationalisation³⁷.

The results show clearly that the EU4Business Initiative does contribute to the institutionalisation of Public Private Dialogue, which is one of the 2020 Deliverables defined.

2.3.3 Capacity building of SMEs

The EU4Business Initiative provides a wide range of advisory services to SMEs at various stages of development aiming to increase the growth and competitiveness of SMEs on the domestic and international markets. In some of the projects, advisory support to SMEs is a primary objective, in others it is included as part of an integrated support package. By the end of 2018, the EU4Business Initiative had assisted nearly 5,000 SMEs with business advice and coaching, including 1,900 in 2018 (Figure 2.10). There is a significant increase in the number of assisted SMEs in 2018 due to the expansion of the activities of several EU4Business projects specifically targeting advice to SMEs in Georgia and Ukraine, which are discussed below.

Figure 2.10 Number of SMEs supported with advisory services by Eastern Partner country



Source: EU4Business Secretariat

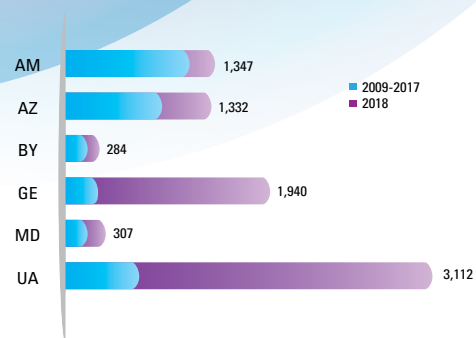
The knowledge of SME owners and employees has been also supported by trainings focused on business management, marketing, exporting, etc. More than 8,300 people in SMEs have benefited from advice and training under the EU4Business Initiative, of which 3,900 in 2018 alone. The significant increase in the number of beneficiaries in Ukraine is the result of the activities of the network of 15 BISCs, which organised over 80 training events in 2018.

Within the context of SME technical support, it is important to stress that advisory services and staff trainings are two different activities. In addition to the fact that providing advice is an exchange between the SME and an external consultant, while trainings involve the participation of several SME staff, both activities address different topics. For instance, developing a strategy for an SME to increase its geographical coverage falls under the category of providing advisory services. However, supporting an SME by training some of its personnel on financial reporting requirements does not qualify as an advisory service, but rather as a training.

36 Georgia on European way: Creation of Effective Model for DCFTA and SME Strategy Implementation and Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy.

37 For the related success story, please refer to page 37

Figure 2.11 Number of people in SMEs trained or coached by Eastern Partner country



Source: EU4Business Secretariat

More than half of the EU4Business funds for knowledge and skills building of SMEs are allocated to projects under the EBRD **Advice for Small Businesses** programme, which provides co-financed grants for demand-driven advisory services. By the end of 2018, the EBRD had approved 2,266 small grant projects for advisory services to enterprises provided by local consultants, including 376 in 2018. The supported projects most often aimed at improving the management effectiveness and market performance of the assisted enterprises (84% of all projects) by providing advice on ICT, marketing, strategy, quality management and internal organisational capacity. A great example of the EBRD's support is the outstanding impact that the project Advice for Small Businesses has had on some SMEs. The stories of Rahman Abdurahmanov³⁸ (Azerbaijan) and Aydin Aliyev³⁹ (Azerbaijan) are clear examples of this.

The EBRD also assisted enterprises at a more mature stage of development and operating in strategic industries, with projects for advisory services that were delivered by international advisers with senior management experience in the same industry. In total, 223 projects with international advisers have been implemented, including 47 in 2018. The three objectives most frequently chosen by enterprises were export and foreign matchmaking, marketing operations and long-term planning (50%). These projects lasted between 12 and 18 months, and involved a strategic review and advice on all aspects of the assisted enterprise, from sales and marketing, to exports, management and strategic planning. The international advisers transferred high-level management know-how and helped companies to develop credible strategies for growth and business development plans.

The EU4Business Initiative actively supports the development of the **export capacity** of SMEs in Eastern Partner countries, and facilitates their access to the EU and other new markets through market research, training, advisory services and support to participation in international fairs and exhibitions.

Over the period 2010-2017, **East Invest** projects supported the internationalisation of nearly 1,000 SMEs from all Eastern Partner countries. Since 2017, the **Ready to Trade** project has been supporting SMEs from all six partner countries to integrate into global value chains and expand their exports to EU markets. In 2018, it completed export value chain studies for 5 groups of products, prepared 3 roadmaps for value chain upgrading, and started export capacity building of about 100 companies. For instance, the project organised a study tour to Chile for Ukrainian exporting berry companies, which allowed the entrepreneurs to get useful tips from the world's leading producer and exporter of blueberries⁴⁰.

In Ukraine, additional assistance has been provided under the project **Network of Business Support Centres**, which among others, supports the consolidation of Ukrainian SMEs' export potential, and facilitates access to foreign markets for SMEs in priority sectors. In 2018, about 380 beneficiaries from agri-business, IT, apparel, footwear and furniture participated in international networking events for export capacity development.

The development of the export potential of Georgian SMEs has been supported by the **SME Development and DCFTA** project through the creation and strengthening of clusters and business networks, thus helping SMEs to meet the quality and quantity demands of international markets. About 100 SMEs were assisted through clusters and business networks to improve their product design in line with foreign market requirements, design new product lines for foreign markets, participate in international tenders, establish new export linkages, etc.

Several projects in Georgia, Moldova and Ukraine specifically target assistance to SMEs to adapt and utilise the opportunities provided by the DCFTAs. In these countries, 40% of all new advisory service projects with local consultants and all projects with international advisers supported under **EBRD Advice for Small Businesses** are DCFTA-related. In Georgia, DCFTA information centres supported under the **SME Development and DCFTA** project assisted more than 4,000 SMEs with information, training and DCFTA-related advisory services.

The EU4Business Initiative also supports awareness raising about and preparation of proposals for the EU COSME and HORIZON 2020 programmes. **SMEDA** followed in this case a dual intervention strategy.

38 For the related success story, please refer to page 33

39 For the related success story, please refer to page 35

40 For the related success story, please refer to page 45



EU4Business

Georgia: Stitching it all together



I'll never forget the moment I realised that I needed to hire more people. And that with the help of the EU, I could.”

Manana Chqareuli

Seamstress, owner of Mancho company

European Fund for South East Europe (EFSE)

With the support of the European Fund for South East Europe and EU4Business, the Mancho company received financing to upgrade its equipment and lease a second workspace, but also a dedicated consultant who could provide advice and support for the company owner, who had been in business barely a year. Mancho is now well on its way to becoming a brand in its own right.



On one hand, the project focused on the support of different institutions in project development and submission of high-quality calls for proposals in Horizon 2020. On the other hand, it supported capacity development for support institutions such as the Scientific Programmes Assistance Integration Centre in order to increase the future quality of proposals. To ensure maximum commitment by the participating companies **SMEDA** focused on informing the business community about the programme and steps towards success, including bi-lateral collaborations with specialised consultancies. As a result of the support provided by SMEDA, in 2017 the first company in Armenia and in the region received funding under H2020's SME-instrument phase 1.

In Armenia and Azerbaijan the EU4Business Initiative also supported the promotion of **entrepreneurship and micro-business development**, through training and mentoring combined in some cases with start-up loans or grants. In total, six local and regional development projects provided training and mentoring to about 300 potential entrepreneurs, contributing to the establishment of 100 new micro or family businesses. In Armenia, the **SMEDA** project developed a comprehensive programme for innovative start-up business support, encompassing measures ranging from awareness raising and idea generation, to business incubation and acceleration. It established the Armenia Start-up Academy, which provided tailored support combining training, mentoring and coaching to 65 start-ups and individual entrepreneurs. The small scale **Boosting Technological Development in Shirak Marz** project is also an interesting example of how local tailored projects can bring successful results. The story of Gayane Araqelyan (Armenia) is a good example of this⁴¹.

2.3.4 Overall outreach of the EU4Business Initiative

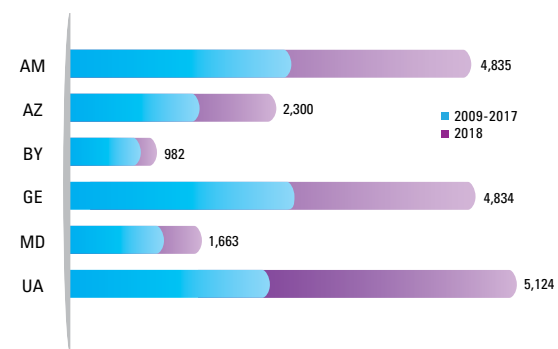
As part of the projects and programmes under the EU4Business Initiative, a significant number of conferences, seminars, round tables and other events are organised, contributing to increase capacity of people working in PFIs, BSOs and SMEs. In order to reach specific objectives of the EU4Business Initiative, like increasing SME growth, internationalisation and strengthening the overall business climate for SMEs, the activities focus among others on:

- disseminating sector best practices and innovative business tools among SMEs;
- enhancing awareness about EU standards and DCFTA-related requirements;
- promoting cooperation between business in Eastern Partner countries and the EU;

- encouraging a culture of public-private dialogue on SME policy and business legislation;
- increasing awareness about opportunities for funding under EU-funded programmes.

Since 2009, more than 20,000 managers and staff of SMEs, business support organisations and financial intermediaries have benefited from training and advisory activities provided by the EU4Business Initiative, including 8,850 in 2018. In 2018, the number of beneficiaries almost doubled compared to previous years, which is explained by the expansion of the activities of projects targeting BSOs' and SMEs' human resource capacity building through the **Network of Business Support Centres** in Ukraine and the **SME Development and DCFTA** project in Georgia.

Figure 2.12 Total number of people trained or coached SMEs, PFIs and BSOs by Eastern Partner country



Source: EU4Business Secretariat

In addition, all projects conducted communication events to promote the EU4Business Initiative. Since 2009, over 57,000 people have participated in events organised by the projects under the EU4Business Initiative, including 27,000 in 2018. The significant increase in the number of participants in events in 2018 is explained by the supported DCFTA communication campaigns in Moldova and Ukraine.

In Ukraine, three EU4Business projects in cooperation with other partners organised 'European SME Week', during which more than 50 events took place across 16 cities in Ukraine. The communication of the events reached about 10,000 SMEs, raising awareness about opportunities for cooperation and support offered by EU4Business, COSME and Horizon 2020. In Moldova, the project **Visibility and Communication for AA/DCFTA** conducted two public awareness campaigns on the DCFTA.

41 For the related success story, please refer to page 53



EU4Business

Ukraine:

How to grow blueberries:
lessons from Chile for Ukrainian producers



It's great that the Eastern Partnership: Ready to Trade project, allowed us to go to Chile and focus on things that have not yet been done in Ukraine.”

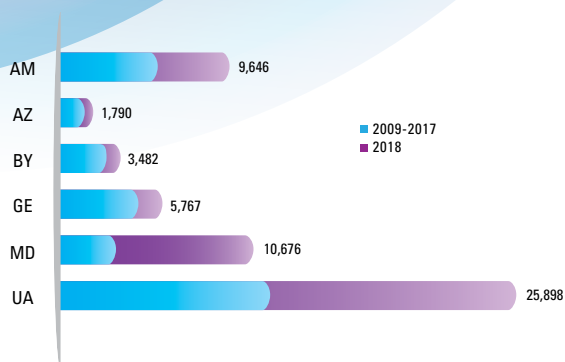
Ivan Grechkovsky

CEO of the 'Family Garden' company

Eastern Partnership:
Ready to Trade project

As part of the 'Eastern Partnership: Ready to Trade' project, funded by the EU under its EU4Business initiative, the International Trade Centre (ITC) and the Ukrainian Berries Association (UBA) organised a study tour to Chile for exporting berry companies from Ukraine. This allowed Ukrainian entrepreneurs to get useful export tips from the world's leading producer and exporter of blueberries.

Figure 2.13 Number of people participating in events by Eastern Partner country



Source: EU4Business Secretariat

A much larger number of SMEs and stakeholders in the partner countries was reached through online and media communications, including through special web-portals created in Georgia, Moldova and Ukraine with the support of the projects **SME Development and DCFTA, Visibility and Communication for AA/DCFTA and FORBIZ**. The EU4Business web-portal also widely promotes opportunities for SMEs offered by EU4Business, by providing navigation across all projects of the EU4Business Initiative and promotes project results and benefits for business and economic development of Eastern Partner countries. The EU4Business web-portal has over the years become the reference point for all information on the EU4Business Initiative, as shown by its increase in users.

2.4 Bringing SME policies and legislation in line with the SBA

One of the specific objectives of the EU4Business Initiative is to strengthen the overall business climate for SMEs. An effective and transparent regulatory environment is key for SME development at all stages of the business life cycle, guaranteeing the level playing field in which SMEs can grow and develop. In all Eastern Partner countries the EU4Business Initiative **supported the reform of SME policies** through strengthening the regulatory framework, the institutional framework and the conditions for public-private dialogue.

Strengthening the institutional framework

The EU4Business Initiative contributed significantly to **strengthening the institutional framework for SME policy formulation and implementation**. In all partner countries, state SME agencies have been established. In 2018, EU4Business projects provided policy advice for the establishment of an SME agency in Azerbaijan, supported the establishment of an SME development office in Ukraine, and helped to strengthen the organisational capacity of the SME agencies in Armenia and Georgia.

The projects under the EU4Business Initiative **enhanced the capacities of national authorities to formulate and implement SME support measures** targeted at SME needs and overall reform priorities. The EU4Business Initiative assisted all six Eastern Partner countries with advice on formulating and strengthening national programmes and capacity building of staff at national business support agencies.

All six countries have benefited from capacity building in export promotion, including identification and analysis of value chains with export potential, elaboration of value chain development road maps and preparation of specific support measures. Through the **SME Development and DCFTA** project in Georgia, the project **Support to the Implementation of DCFTA Process** in Moldova and in Ukraine, the EU4Business Initiative supported the formulation and implementation of communication programmes on DCFTA issues.

In 2018, Georgia and Armenia received support in developing programmes that targeted innovation and cluster development policies through the **SMEDA** and **SME Development and DCFTA** projects. In Ukraine, standards and templates for the development of 11 priority SME support measures were elaborated in 2018 with the assistance of **FORBIZ**.

In Ukraine, the **FORBIZ** project also contributed to the **inspection reform**, which started in 2016. The project supported the improvement of the procedures for inspection, the training of inspection bodies, and the establishment of the inspection portal, which publishes all inspection results and attracts nearly 65,000 users per month.

Table 2.5 Web audience statistics of the EU4Business web-portal

Website Audience Statistics					
2016		2017		2018	
Users:	1,114	Users:	29,063	Users:	102,850
Sessions:	2,192	Sessions:	45,824	Sessions:	153,305
Pageviews:	19,108	Pageviews:	155,465	Pageviews:	321,555

Source: Google analytics



EU4Business

Ukraine:

Investment loan just a phone call away



*Entrepreneurs,
do not be afraid!
One phone call
allows you to
achieve your
dreams.”*

Olga Radinovich

Director of Reabilitimed LLC

SME Finance Facility Phase II

With an investment loan from the KfW programme of the EU4Business SME Finance Facility Phase II implemented by German-Ukrainian Fund (GUF), Reabilitimed LLC was able to increase production and quality, create additional jobs and give the company confidence to provide its customers with the orthopaedic products they need.



Two projects support reforms of the **quality infrastructure system**. In Ukraine, **FORBIZ** assisted in the review of legislation and reform of the market surveillance system. In Moldova, the **Support to Quality Infrastructure** project integrates actions for strengthening the legislative framework, improving public-private dialogue, capacity building of standardisation, accreditation and market surveillance agencies, and awareness raising and support for companies to adapt to new standards.

Overall, the EU4Business Initiative is contributing to the achievement of the 2020 target *“to improve/increase the number of assistance programmes by national authorities to their SMEs (dedicated SMEs agency in place in each Partner Country)”*.

Strengthening conditions for public-private dialogue

The EU4Business Initiative promotes the establishment of effective systems for **public-private consultation on business regulation**. In Ukraine, the **FORBIZ** project set up a well-structured mechanism for consultation on business regulation, including the preparation of detailed analysis of regulations, online consultations, analysis of the results of consultations and organising round tables, and publication of green and white papers with policy recommendations.

By mid-2018, the project had conducted over 30 regulatory roundtables with 2,000 representatives of policymakers, business and civic society, and developed two widely acknowledged online portals for the business community (see text box). In Georgia, the **SME Development and DCFTA** project supported the creation of a dedicated web-portal with information about planned and implemented reforms under the DCFTA, which, among other functions, gives the opportunity to comment on draft legislative acts uploaded on the portal.

Text box: PRO – Platform for Effective Regulation (FORBIZ)

The “PRO - Platform for Effective Regulation” regulatory portal (regulation.gov.ua/dialogue) launched and run by the Better Regulation Delivery Office (BRDO) within the framework of the FORBIZ project is one of the most advanced and analytical platforms for businesses in the regulatory realm in Ukraine. The essential services of the “PRO Portal” include – (1) a roadmap for starting and operating a business in Ukraine that helps to navigate the maze of regulatory procedures for entrepreneurs, (2) a consultation tool on regulatory changes within priority markets for the business community, (3) a complete legislative database of regulations in Ukraine, providing the public authorities with the online tools to analyse the impact of existing regulations, design new solutions, and calculate their efficiency and cost. Visited by over 100,000 unique users monthly, the “PRO Platform” is the most comprehensive and complete regulatory online tool in the country.

Strengthening the regulatory framework

The EU4Business Initiative promotes the EU Better Regulation approach and SBA ‘Think Small First’ principle in business-regulation, including regular assessment of the regulatory framework, preliminary assessments of the impact of legislation and consultations with stakeholders.

The projects implemented by the OECD⁴² under the EU4Business Initiative have assisted partner governments in the identification of the reform priorities by regular SME policy reviews and assessments against the principles of the Small Business Act for Europe (SBA). The OECD has carried out two comprehensive assessments of SME policies in all six Eastern Partner countries using the SME policy index framework, and a third one has started in 2018. The policy assessments have been carried out with the full involvement of policymakers and stakeholders. Building on the findings and recommendations of the SME Policy Index 2016, the Eastern Partner countries have taken steps to improve the policy environment for SMEs.

The EU4Business projects have strongly contributed to strengthening the strategic orientation of SME policy in all six partner countries. By the end of 2018, all countries had developed and strengthened their multi-annual **SME strategies** until 2020 integrating SBA principles.

42 SME Competitiveness Reforms (2013-2017) and EU4Business: From Policies to Action (2017-ongoing).



EU4Business

Belarus:

From Belarusian Goats With Love



“

We needed to understand what to do: to expand further or to improve the production facilities. We decided to expand, hire new people. The assistance we received from the programme helped us to move on.”

Dzmitry Krylou

Owner of DAK farm

Advice for Small Businesses

DAK farm, the only breeding goat farm in Belarus, received expert advice and support thanks to the 'Advice for Small Businesses' programme implemented by the EBRD as part of the EU4Business initiative. As a result of this cooperation, the farm owner decided to expand the farm twice, engaging in a project that is revolutionary, not only for Belarus, but for the whole region.

49

They also adopted **SME development action plans** defining specific policy actions, resources, and mechanisms for monitoring and evaluation. The two projects implemented by the OECD provided capacity building and country-specific guidance on the development of strategic documents to all six partner countries. In addition, assistance and capacity building on preparation of strategic documents was provided by the **FORBIZ** project in Ukraine and the **SMEDA** project in Armenia.

Azerbaijan: Supporting Azerbaijan's SME reform agenda

"The development of small and medium-sized businesses is a priority for the government of Azerbaijan. Working in close co-operation with the OECD has contributed to better implementation of Azerbaijan's ambitious reform agenda that aims to diversify the economy and bring SMEs to the centre of economic development. In addition, engagement in OECD peer review processes has helped anchor our policy reforms and align them with international standards."

Vusal Gasimly, Executive Director of the Centre for Analysis of Economic Reforms and Communication

With the support of the OECD within the EU4Business Initiative, Azerbaijan has embarked on the implementation of a wide-ranging reform agenda aimed at diversifying the economy and enhancing the contribution of small and medium enterprises to employment, domestic production and exports.

In 2017-2018, the project **From Policies to Action** provided capacity building and guidance to Belarus for the preparation of an SME strategy until 2030, and to Moldova for public consultation of priorities of the 2018-2020 SME Strategy Action Plan; both documents were adopted in 2018. The **FORBIZ** project assisted in the preparation of the SME development action plan in Ukraine, which was adopted in 2018. In 2018, the **SMEDA** project provided technical assistance for the elaboration of the new SME strategy (2019-2021) of Armenia, which is expected to be adopted in 2019.

In Ukraine, the **FORBIZ** project supported the comprehensive **review of the quality of the business regulatory framework** in more than 80 market segments in seven priority sectors. The analysis was reported in 37 green papers on market regulation, including 27 conducted in 2018. The green papers presented an analysis of the markets, assessment of business regulations and procedures, and regulatory recommendations. As a result of the reviews, 820 legal acts were abolished, more than 100 acts were amended, and 40 new regulations were adopted by

mid-2018, thus contributing to the deregulation reform and alignment with the acquis in Ukraine.

Furthermore, in Ukraine two EU4Business projects have supported the establishment of a legal framework for **industry self-regulation**, allowing private sector industry associations to set common internal rules and control their implementation. In 2018, the **FORBIZ** project supported analysis and discussion of the industry self-regulation system, which resulted in the government adoption of a concept note and action plan for reform of industry self-regulation and preparation of a draft legal act. The **Network of Business Support Centres** project worked with some business associations to develop and enforce internal industry standards, thus also supporting efforts on the regulatory level.

The regional **STAREP** project has made an important contribution to **modernising systems of accounting, auditing and corporate financial reporting** in line with good international practices, including EU acquis in all six Eastern Partner countries. By the end of 2018, three countries (Georgia, Ukraine, Moldova) achieved significant progress in harmonising their legal framework with the acquis, and other countries were on the road to developing new improved legislation and/or amending the existing legal framework. The project contributed to adoptions of new auditing legislation in Moldova and Ukraine, to a new accounting law in Azerbaijan, as well as to the adoption of International Financial Reporting Standards and International Standards of Auditing in all countries. In 2018, a major **STAREP** project achievement was the finalisation of strategies for improvement of accounting and auditing education in all six partner countries. Both government officials and representatives of the profession increased their understanding of EU legislation and good international practices, and increased their capacity through workshops and bilateral exchanges, and were committed to continue reforms.

The EU4Business Initiative also supported evidence-based policy making through the **improvement of SME statistics, assistance in the set-up of monitoring systems and introduction of regulatory impact assessments and SME tests**.

In 2018, the OECD project **From Policies to Action** assisted in the set-up of results-based monitoring systems and the establishment of public-private monitoring platforms in Armenia, Azerbaijan and Moldova, carried out assessment of the SME strategy implementation in Georgia and proposed key performance indicators for monitoring. In addition, it advised or facilitated the establishment of public-private working groups and other advisory bodies for monitoring of the SME reform priorities and strategies in all partner countries.



EU4Business

Belarus: Eco-friendly entrepreneurship



We have already felt the difference. Now we can give all our time to producing actual baskets rather than researching information.”

Aliaksandr Danilau

Director of EcoPak

Advice for Small Businesses

EcoPak, a Belarusian enterprise producing special packaging for fruit and vegetables, started using a new automated production management system known as ‘Gulf Stream’ thanks to support from the EBRD ‘Advice for Small Businesses’ programme, funded under the EU4Business initiative. As a result, the company has grown almost six- fold in the past three years.

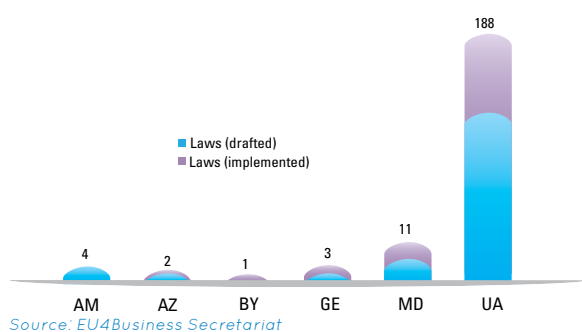


In Armenia and Ukraine, two projects (**From Policies to Action** and **SMEDA**) contributed to **improvements in SME statistics**, in particular structural and business demographic statistics and SME financing indicators, which will facilitate policy formulation and the measuring of the impact of policies on SME performance. In 2018, support was provided for the preparation and publication of SME statistics in Armenia and Ukraine.

EU4Business projects contributed to introduction of **regulatory impact assessments (RIA)** and **SME-tests** analyses on the possible effects of legislative proposals on business and SMEs. In Ukraine, the **FORBIZ** project supported the preparation of 17 RIAs and 10 SME-tests. In response to recommendations provided by the SME Competitiveness Reforms project in Georgia, pilot RIAs and SME-test have been carried out for various draft laws, though limited institutional capacity and financial resources prevent a systematic approach to carrying out fully-fledged SME-tests.

Overall, the EU4Business projects assisted Eastern Partner countries in the drafting of 137 business-related laws and regulations, including 45 in 2018 (see Figure 2.14). Out of the drafted laws, 72 have been implemented. This indicator covers only the legislative changes directly supported by technical assistance under EU4Business projects.

Figure 2.14 Number of drafted and implemented laws by Eastern Partner country, 2009-2018



The EU4Business Initiative has had a much larger impact on improvement of the business regulatory framework, achieved through policy advice and strengthened government commitment to reforms, which have resulted in changes in legislation implemented by countries with their own resources or other donor support. The World Bank's Doing Business report 2019 shows that all six Eastern Partner countries increased their ease of doing business score since 2016, indicating improved regulations for business start and operations. The most noticeable were the improvements in Georgia, which improved by 18 positions and ranked 6th out of 190 countries in the world, and in Azerbaijan, which improved by 38 positions and was ranked 25th. A noticeable progress was made also in Ukraine, though it remained the lowest ranked among Eastern Partner countries (71st).

2.5 Boosting women entrepreneurship through EU4Business

An important cross-cutting issue of the EU4Business Initiative is to promote women's entrepreneurship. According to an assessment of the EBRD Strategic Gender Initiative, there is a large gender gap in terms of "employment, firm ownership", and "access to finance" in the countries of the Eastern Partner region. The assessment states, "... lack of adequate finance, coupled with fewer opportunities to gain managerial experience, and limited access to know-how tend to limit the growth potential of women SMEs, constraining them to the micro and small segments, typically in low value-added, low productivity sectors."⁴³

While gender is mainstreamed in all programmes supported by the EU4Business Initiative, the EBRD **Women in Business** Programme specifically targets female entrepreneurs. The **WiB** programme, started in June 2015, aims to promote women's entrepreneurship and women's participation in business, supporting women-led enterprises with access to finance and capacity building of PFIs and SMEs. The **WiB** Programme has four components:

- (i) Dedicated credit lines of up to EUR 43.4 million to eligible PFIs for on-lending to eligible Women SMEs.
- (ii) First loss risk cover ("FLRC") of up to EUR 4.3 million; up to 10% of the PFIs' loan portfolio under the Programme with a cap of 70% for any single sub-loan.
- (iii) Capacity building for the PFIs through Technical Assistance ("FI TA window") of up to EUR 1.8 million to help them better cater to and reach out to Women SMEs.
- (iv) Capacity building for Women SMEs ("SBS TA window") of up to EUR 4.8 million to increase Women SMEs' access to know-how, non-financial business development services and networking opportunities.

Through this design, the programme addresses both supply and demand side issues by engaging in capacity building activities for both the lenders and the borrowers. So far, the programme has been performing in line with expectations.

The Programme is jointly implemented in the six Eastern Partner countries by EBRD Financial Institutions (FI), Small Business Support (SBS) and Gender teams under the EBRD's Small Business Initiative (SBI) and the Strategic Gender Initiative (SGI).

43 Women in Business, progress report 2018, p.3



EU4Business

Armenia:

Training young people
for a digital future in the regions



For us, the project was the most successful model compared to other training courses, because it exactly targeted the needs of the business.”

Gayane Araqelyan

Co-founder and Executive Director of the Digital Pomegranate company

Boosting Technological Development in Shirak Marz

The Digital Pomegranate, a software development platform, has got new employees trained thanks to the project, co-funded by the European Union, and implemented by the Microsoft Innovation Center Armenia (MICA). The received support was not limited to the trainings and mentorship: assistance was also provided for setting up the workplace for new employees who had graduated from the trainings.

The final beneficiaries of the programme are eligible women-led SMEs (“Women SMEs”) across all sectors, defined as SMEs where a woman (women) holds overall operational management responsibility for the company, or where a woman (women) holds overall operational management responsibility and also owns all or part of the equity.

The reported progress on suggests that the programme is proceeding on track to meeting expectations, although there are still some issues with the implementation of credit lines. The number of loans provided under the programme have increased significantly, going from 2,371 loans in the period 2015-2017 to 7,240 loans in 2018. The majority of these loans were made in Belarus.

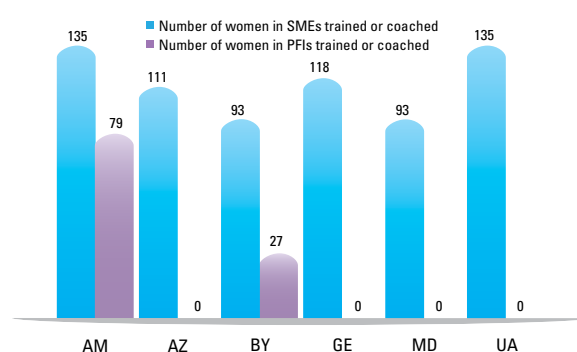
However, the progress report notes that “new banking regulations imposed by the National Bank of the Republic of Belarus, which involve setting a cap for lending operations, combined with the lack of affordable funds in Belarusian roubles, had a negative influence on new MSME loans (including WiB loans). As hard currency loans such as from the EBRD credit lines are currently more expensive than local currency loans from banks’ own funds as well as funds from the Development Bank of the Republic of Belarus, all three PFIs continue to offer WiB loans out of their own funds.”⁴⁴ As a result, the volume of loans made (€ 6.6 million) is low. In 2018, the volume of loans disbursed by the WiB project in Armenia (€ 10 million) and Georgia (€ 22 million) were larger.

A total of € 5.2 million were committed under the ‘first loss risk cushion’ (FLRC) scheme within the WiB programme. This is composed of € 3.97 million from EU contribution and € 1.2 million from other donors (EBRD Shareholder Special Fund and EBRD Small Business Impact Fund). Most importantly, until the end of 2018 only one PFI (from Armenia) filed two claims under this FLRC scheme.

Until the end of 2018, the financial window of the **Women in Business** Programme had not been implemented in Azerbaijan, Moldova and Ukraine. Due to a difficult situation in the financial sector in Azerbaijan, the credit lines are currently on hold in the country and the EBRD is carefully monitoring the situation. In Moldova, the banking sector has been suffering from opaque ownership and governance issues, but considering the notable progress that has recently been made by the Moldovan Government, it is expected that the **Women in Business** Programme will be introduced in Moldova in 2019. Finally, in Ukraine, the main issue in implementing the **Women in Business** Programme is the ability to provide reasonably priced local currency loans under the Programme, something that was not foreseen.

The technical assistance window under the EU4Business programme has been implemented in all 6 Eastern Partner countries. By the end of 2018, a total of 682 women entrepreneurs had received training or coaching within the programme, with 290 women entrepreneurs receiving training in 2018 alone. These trainings help women SMEs identify and define their financing needs to establish and/or develop their businesses. Although the project specifically includes the training and coaching of PFI staff, no such trainings were organised in 2018. The work plan for 2019 does, however, include technical assistance activities for training and coaching of PFI staff. These will support and help PFIs develop, test, and roll out financial products targeted at Women SMEs, and help them reach out to these Women SMEs.

Figure 2.15 Number of women trained in SMEs and PFIs



Source: EU4Business Secretariat

The reporting on women entrepreneurship is limited in projects and programmes other than the **Women in Business** project. However, some initiatives are worth mentioning. In Armenia and Georgia, two EU4Business projects (**SMEDA and SME Development and DCFTA**) have developed special cross-cutting initiatives for economic empowerment of women and promotion of women-led SMEs.

In Armenia, the women entrepreneurship initiative of the **SMEDA** project aims to promote and encourage women entrepreneurs. The project has established and supported activities of a working group on women and youth entrepreneurship, which aims at the identification, consolidation and coordination of initiatives focused on women and youth entrepreneurship. In 2018, this working group held two meetings, attended by 25 organisations involved in implementing projects in promotion of women and/or youth entrepreneurship in Armenia.

In 2018, the **SMEDA** project also initiated the Women Entrepreneurs’ Club, a networking platform for women in business. This platform aims to strengthen the capacity of women entrepreneurs by establishing strong links and business networks. The club’s events, focused on different topics, are organised once a month and implemented jointly with a local NGO, or in cooperation with a private business. During 2018, about 420 people participated in 5 women’s clubs events.



EU4Business

Georgia:

Investing to serve the community



I've been able to pursue a dream of having my own business that enables me to support my family, and serve my friends in the local community.”

Inga Gelovani

Store Owner & Designer

DCFTA Initiative East

Thanks to the EIB's investment facility under the EU4Business programme, Ms. Inga Gelovani was able to start a clothing business and to open a store in the centre of Tbilisi. The loans received under the programme allowed the designer to maintain the clothes shop in a productive manner and successfully improve her family's livelihood, while serving the local community.

The club events were evaluated as highly effective in creating networks and cooperation among companies.

In 2018, in Georgia, a Subcommittee on women entrepreneurship was established with the support of the **SME Development and DCFTA** project, within the Private Sector Development Advisory Council (which consists of representatives of governmental bodies and business associations). During 2018, the subcommittee held one session focused on the discussion of action plans for empowering women in business.

In 2018, the **SME Development and DCFTA** project, in partnership with business associations, organised the Women Business Forum. The Forum aimed to facilitate the development of women-owned SMEs, and to highlight the contribution of women to the business community. The event brought together more than 300 participants, mostly women entrepreneurs, from all over Georgia. It promoted success stories of women-led enterprises, presented the national, EU and other donor-funded projects focusing on women entrepreneurs, and gave women the opportunity to make new business linkages and promote their businesses.

Through the different EU4Business projects, female entrepreneurs can even combine support and tailor it to their own needs. An interesting success story in this respect is the Armenian SME LOOM, which received support in crucial areas such as branding, finances and sales in the framework of **Women in Business**, and help in accessing international markets with the networking support of the **SMEDA** project.⁴⁵

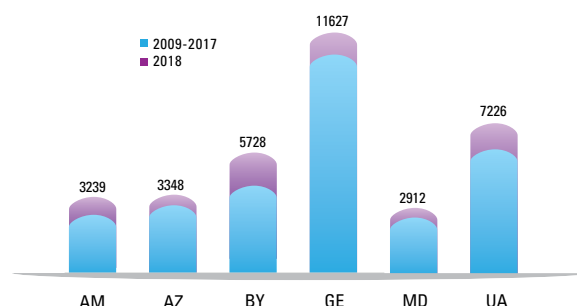
2.6 Impact of EU4Business on SME growth

One of the important objectives of the EU4Business Initiative is “to support the countries in the Eastern Partnership in moving towards more diversified and sustainable economies through increased contribution of SMEs to employment as well as to the national economy/growth.” In this section, we ask and answer the question - to what extent have the different projects and programmes within the EU4Business Initiative contributed to this increase in employment and growth of SMEs?

According to the annual and progress reports of the projects and programmes in the EU4Business Initiative, the lending and the technical assistance has contributed to creating **over 34,000 new jobs during the period 2009-2018, with almost 6,000 new jobs being created in 2018 alone**. Thus, the growth in jobs continues its positive trend during the years that the EU4Business Initiative has been running.

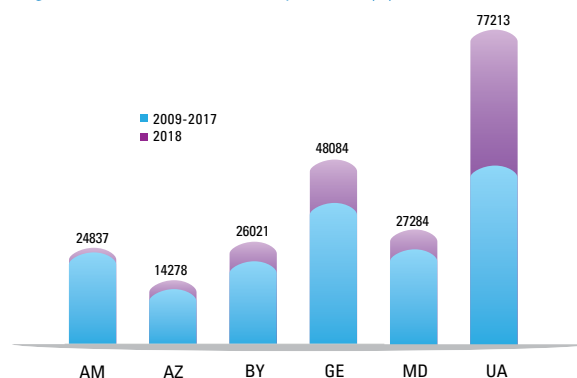
There is also a positive trend in the number of jobs being supported by the activities of the EU4Business Initiative. **Over 217,000 jobs were supported during the period 2009-2018, and over 66,700 jobs were supported in 2018 alone**. Thus, the Deliverable for 2020 - “At least another 60,000 new jobs created and/or sustained in the supported companies since the end of 2016” - has been reached.

Figure 2.16 Number of new jobs



Source: EU4Business Secretariat

Figure 2.17 Number of jobs supported



Source: EU4Business Secretariat

Looking at the results per country (see Figure 2.16 and Figure 2.17), the EU4Business Initiative has been successful in creating new jobs in Georgia, and in 2018, also in Belarus and Ukraine. The EBRD programme **Advice for Small Businesses** has contributed in a big way to the increase in jobs. In Belarus, the **Women in Business** programme has also made significant contributions to increasing number of jobs. In Ukraine, a very large number of jobs is supported by EU4Business activities, with a significant increase in 2018. The increase in jobs supported in 2018 has occurred due to the **EIB SME Finance Facility phase 2**, the **DCFTA Initiative East** projects, and the **EU4Business: Network of Business Support Centres in Ukraine**. This € 40 million project, which is part of the **EBRD Advice for Small Businesses** programme and started in 2016, can report some impressive figures on how it reached out and supported SMEs in Ukraine. However, it must be noted that not all the projects report the number of new jobs created, or the number of jobs supported by their activities. Thus, the reported number of new jobs created and jobs supported are an underestimate of the actual numbers. Figure 2.18 shows the number of jobs created or

45 For the related success story, please refer to page 31



EU4Business

Moldova: In support of wine tourism



“

*The wine industry
is the future of
Moldova.*

*Our country can't
make cars, but we
can make good
wine, so we must
invest in this.”*

Vadim Burussus

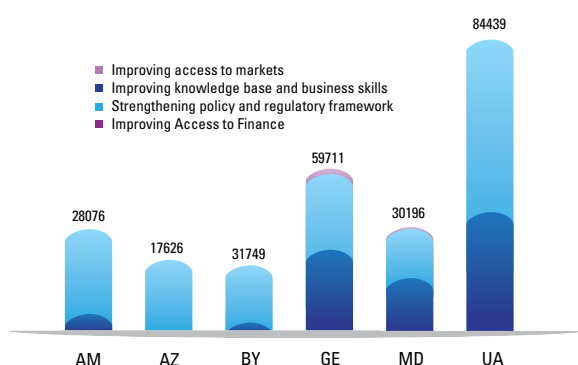
Winemaker

DCFTA Initiative East

Investments from the European Investment Bank under the EU4Business 'Filière du Vin' project enabled Poiana Codrilor SRL to buy modern equipment that allows them to produce European-quality wine. As a result of EU support, not only has a centre of wine tourism near Ulmu been opened, but new jobs have been created.

supported by country, and by projects related to each of the four priority areas of the EU4Business Initiative. This figure clearly shows that in all six countries, the projects related to the priority area of improving the knowledge base and business skills have a big impact on the number of jobs created and supported. While the number of projects falling under this priority area is larger, the EU contribution to these projects is smaller than to projects related to the access to finance priority area.

Figure 2.18 Number of jobs created and supported



Source: EU4Business Secretariat

Table 2.6 presents the amount of EU contribution spent per job sustained/created by country and by priority area⁴⁶. This table shows that the EU contribution spent per job created or sustained differs significantly by country and also by priority area. Of course, these calculations do not account for other factors, for example growth in turnover or export sales, which are also important potential outcomes of the EU4Business Initiative and which could explain the differences presented here. The presented figures in Table 2.6 thus need to be interpreted with care.

They only give an indication that small-scale, well-tailored projects, which are more prevalent under the priority area of improving knowledge base and business skills (as mentioned in chapter 1, 16 out of 20 projects under this priority area are bilateral), yield handsome results in terms of adding to or maintaining the employment base. This finding is also supported by the results of the focus groups. The participants in these focus groups agreed that in addition to accessing finance, tailored advice is equally, if not more, important (see also chapter 3 for further discussion on this issue).

As mentioned above, the impact of the EU4Business Initiative on turnover growth or increase in export sales are not taken into account in the calculations presented in Table 2.6. Unfortunately, reporting by implementers on these elements is limited, which makes it difficult to give reliable figures on the impact of the EU4Business Initiative on growth in turnover of SMEs or increase in export sales. Only the EBRD reports on the **Advice for Small Businesses** programme give some indications in this respect.

The 2018 Progress Reports state that the evaluations conducted by the EBRD, one year after end of the advisory project, revealed that the advisory services resulted in considerable improvements in performance and competitiveness of the companies that were the recipients of these advisory services, and contributed significantly improving their business prospects. In total, the enterprises that were assisted registered sales growth of € 1,289 million and attracted €289 million in external financing. The stories of Dzmitry Krulou⁴⁷ (Belarus) and of Aliaksandr Danilau (Belarus) are clear examples of this⁴⁸.

46 Calculated as EU contribution / number of new or supported jobs

47 For the related success story, please refer to page 49

48 For the related success story, please refer to page 51

Table 2.6: EU contribution per job supported/newly created, by country and by priority area

	Total	Improving access to finance	Strengthening policy and regulatory framework	Improving knowledge base and business skills	Improving access to markets
AM	€1,363	€4,073	:	€572	:
AZ	€929	:	:	€289	:
BY	€917	€9,767	:	€588	:
GE	€1,738	€2,902	:	€557	€12,919
MD	€1,744	€2,932	:	€160	€220,788
UA	€2,051	€3,109	:	€969	:
total	€1,642	€3,248 €	:	€613	€30,237

Source: EU4Business Secretariat



Moldova:

Learning to conquer the European market



What I felt was fear, not knowing where to start. Things have become much clearer now, and I'm going back home with the idea that it's worth exporting to the European Union market.”

Iana Ursu

Manager of Biser.md, an online sales platform for handicrafts

Advice for Small Businesses

Moldovan Chamber of Commerce and Industry (CCI) was established with EU4Business support, to facilitate investment and trade in the Eastern Partnership countries. As part of this initiative, the EBRD in cooperation with the CCI organised two trainings in April 2018 that stimulated Moldovan entrepreneurs to develop their businesses and increase their competitiveness when accessing the European market.



2.7 DCFTA and EU4Business – overcoming the challenge to enter new markets

The **Association Agreements (AA)** and **Deep and Comprehensive Free Trade Areas (DCFTA)** signed with Georgia, the Republic of Moldova and Ukraine, offer these countries a preferential regime for trading with the EU and create significant new opportunities by increasing access to markets based on harmonized regulations. Studies on the impact of the DCFTA clearly show that in the long run it will help beneficiary economies to modernise and help them become more competitive. This, however, also means additional costs in the short and medium terms⁴⁹.

In order to offset the burden of these additional costs in the short to medium terms, the EU committed to contribute €200 million in the DCFTA facility under the EU4Business Initiative, with the largest EU contributions going to Ukraine (€106 million), followed by Georgia (€56 million) and Moldova (€32 million).

49 Adarov, A. & Havlik, P. (2016). Benefits and Costs of DCFTA: Evaluation of the Impact on Georgia, Moldova and Ukraine. Joint Working Paper, December 2016. Bertelsmann Stiftung. Online available: https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/EZ_Studie_Benefits_and_Costs_of_DCFTA_2017_ENG.pdf

Under the EU4Business Initiative, the following DCFTA-related programmes are currently ongoing:

- DCFTA SME Direct Support Facility (EBRD)
- Advice for Small Businesses – Phase II (EBRD)
- DCFTA Adaptation Programme (DAP) – (EBRD)
- EBRD DCFTA Programme (EU4Business-EBRD Credit Line Phase I and II)
- SME Finance Facility Phase II (EBRD, EIB and KfW)
- DCFTA Initiative East (EIB)
- EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)

Table 2.7 gives an overview of the KPI results for the DCFTA programmes under EU4Business⁵⁰.

In 2018, over 960 SMEs received financial assistance from the EU4Business programmes and projects under the DCFTA. For the entire period that the DCFTA facility has been functioning, this number is 1,716. The large increase in the number of SMEs receiving financial assistance in 2018 can be explained by the fact that there were no disbursements during the earlier reporting periods for some of the projects.

50 The data presented here are extracted from the total figures of the EU4Business Initiative. They need to be read as a sub-group of results and not in addition to the total results reported in the other sections of this chapter.

Table 2.7 Aggregate results of DCFTA programmes under EU4Business

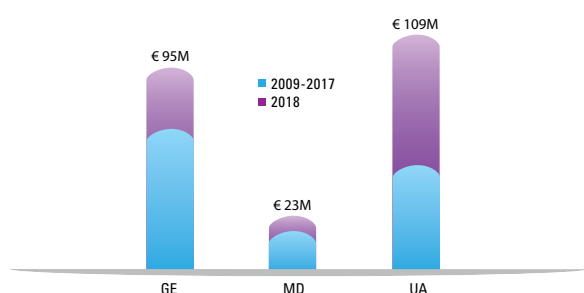
nr.	Indicator	2009-2017	2018	2009-2018
1.4	Total value of loans disbursed to SMEs by PFI and IFIs supported by EU4Business Programmes	€127.474M	€99.560M	€227.034M
1.5	Number of SMEs that received loans from PFIs and IFIs through EU4Business Programmes	753	963	1,716
2.1	Jobs supported by EU4Business Programmes (number of jobs (FTE) in the SMEs receiving support at their inclusion date)	37,108	38,050	75,158
2.2	Number of SMEs supported with EU4Business Programmes providing for advisory services	260	111	371
2.3	Number of people in SMEs trained or coached	403	581	984
2.5	Number and names of unique PFIs involved in EU4Business Programmes (financial support)	16	3	19
2.6	Number and names of unique PFIs involved in EU4Business Programme (technical assistance)	5	3	8
2.7	Number of people in PFIs trained or coached	183	0	183
2.9a	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of the EU4Business programmes, in local currency	€61.869M	€232.779M	€294.649M
2.9b	Total volume of loans/guarantees/capital investments to PFIs for on lending to SME with support of the EU4Business programmes, in foreign currency	€201.465M	€48.502M	€249.468M
3.1	Number of new jobs	12,054	2,432	14,486
3.2	Number of BSOs supported with capacity building	0	0	0
3.3	Total Number of people trained or coached (Total: SMEs, PFIs, BSOs)	1,069	760	1,829
3.4	Number of people in BSOs trained or coached	483	179	662
3.5	Number of people participating in events	6,479	10,967	17,446

Source: EU4Business Secretariat

Given the recent signing of **EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)**, the number of SMEs receiving financial assistance will increase still more in 2019.

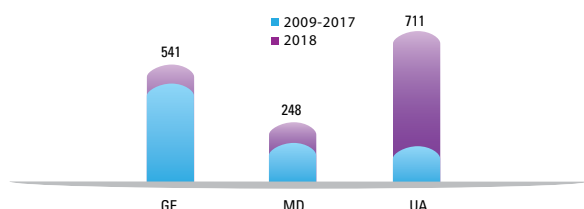
Although operational, the EU4Business Initiative under DCFTA is not yet at full speed, and the total value of loans disbursed to SMEs adds up to € 127 million, of which € 100 million were disbursed only in 2018. While it is still too early to speak of the concrete impact of the DCFTA facility, the programmes have already supported over 75,000 jobs and created over 14,000 new jobs.

Figure 2.19 Total value of loans disbursed to SMEs by PFIs and IFIs (2009-2018)



Source: EU4Business Secretariat

Figure 2.20 Number of SMEs that received loans from PFIs and IFIs (2009-2018)



Source: EU4Business Secretariat

Figure 2.19 and Figure 2.20 show the distribution of the number and the values of loans over the three DCFTA countries. While by the end of 2017 Georgia had received the highest number and values of loans, the success of the local currency lending facilities is clearly shown in the results for Ukraine. The stories of Roksolana Vakulenko⁵¹ and Dmytro Olyanishyn⁵² (Ukraine) are illustrative in this respect.

Ukraine: Toy manufacturer attracting European investments

“Often, entrepreneurs face the same problem – they cannot obtain the required loan amount at favourable rates. With the help of the EU programmes, we obtained all the necessary funding for our development projects,”

says **Roksolana Vakulenko**, Director of the company ‘Vip-Toys’. With the help of EU investment loans, this Ukrainian toy maker has been able to buy new equipment and expand to European markets.

Ukraine: SuperMagnit: investing in the future thanks to subsidised EU4Business loan

“Such projects make a significant contribution to the development and stability of the national economy,”

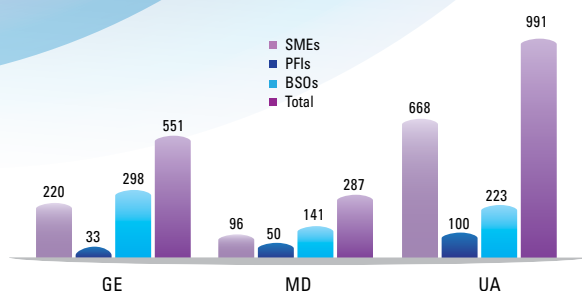
says **Dmytro Olyanishyn**, Director of the SuperMagnit company. The loan that allowed the company to purchase new high-tech equipment has been taken as part of the joint programme of the German-Ukrainian Fund and Kyiv City State Administration within the framework of the EU4Business Initiative.

In addition to providing financial assistance, the DCFTA programmes also focus on capacity building. Within the **Advice for Small Businesses - Phase II** programme, 40% of all new advisory service projects with local consultants and all projects with international advisors are DCFTA-related. Additionally, some of the bilateral projects within the EU4Business Initiative also have a strong DCFTA focus, such as **SME Development and DCFTA in Georgia** or the **Network of Business Support Centres** in Ukraine. Information on the opportunities available under the DCFTA, within the framework of EU4Business, was spread via several events. Over 17,000 people were reached through these events. Over 1,800 people were trained and coached up till the end of 2018; of these, over 900 people were from SMEs and another 600 people from BSOs.

51 For the related success story, please refer to page 61

52 For the related success story, please refer to page 61

Figure 2.21 Number of people trained (SMEs, PFIs, BSOs and total) by DCFTA country, 2009-2018



Source: EU4Business Secretariat

There are several success stories showing that capacity building activities are important for unlocking the doors to new markets, like the stories of Andriy Mitchenko (Ukraine), Mikheil Getia (Georgia), and Rostyslav Vovk (Ukraine).⁵³

Ukraine: A clean business

“We had an emotional approach to business. Being a good person was more important to us than being a professional, for example. But after working with the consultants, Ecosoft became a more prudent company. We no longer base our decisions on emotions.”

says **Andriy Mitchenko**, one of the founders of Ecosoft. The company produces reverse osmosis water treatment equipment, but also pitchers and other components for household filters. With EBRD advisory support, Ecosoft went from being a family company to a professionally run business. In early December, it became known that the Ukrainian manufacturer was to be bought by the Austrian company BWT Aktiengesellschaft. This is a landmark event for the local market, as foreign investors are still wary of acquiring assets in Ukraine.

Georgia: Made in Georgia: EU support to help Georgian manufacturers meet key European standards

“With the help of international experts invited by GIZ we changed everything: starting from the production process and ending with document turnover. Eventually, it all led us to the result we have today – the company now has an image of a reliable partner in the European market.”

Mikheil Getia, head of clothing manufacturer MPT Georgia. Thanks to the support of the EU4Business project ‘SME Development and DCFTA in Georgia’, clothing manufacturer MPT Georgia has passed the amfori BSCI audit and receive the highest ‘A’ ranking, helping it to achieve certified production standards for the EU market.

Ukraine: Taking on the world

“In 15 years of work we had not been able to find the specialists who would develop diets here in the factory. But by the end of the year, with the help of the EBRD consultant, I hope we will have employees who can compose the formulas themselves.”

Rostyslav Vovk, co-owner of pet food manufacturer Kormotech, has expanded his company with the help of EU4Business advice.

Results from the focus groups with owners of SMEs in the three DCFTA countries show, however, that there are barriers other than access to finance. The following issues were raised in all three DCFTA countries:

- **Compliance with EU quality standards:** the implementation of an international quality certification system is costly and requires specific knowledge. While some SME owners consider the costs linked to certification as an important investment, others see these costs as being too high and ask for external funding. While it can be debated whether costs related to certification are too high or not, almost everyone agreed upon the need for specific advisory services, tailored to specific sectors, and that these services were often difficult to find. The advisory services being offered are not seen as being sufficiently tailored to tackle the specific questions of the SMEs.
- **Lack of economies of scale:** participants raised doubts whether their own production quantities were not too low to allow them to create a strong negotiating position with retailers and distributors in the EU. In many cases national legislations hamper the creation of larger economies of scales.

53 For the related success stories, please refer to page 62

- **Lack of awareness, knowledge and networking opportunities:** general knowledge about the DCFTA, going beyond knowledge about the certification process, is still limited for most SMEs and prevents them from exploring markets beyond their own borders. Providing opportunities to SME owners to exchange experiences, to network and build strong business relationships, within the country and across borders, by mentoring and coaching programmes, or by simply organising network events and roadshows help SMEs to go beyond their borders.
- **Lack of infrastructure and/or equipment:** difficulties in finding specific equipment like cold storage units or specific production equipment were mentioned by several participants. The lack of this equipment makes it difficult to comply with quality standards. Specific cases were mentioned where the financial assistance they received was linked to specific leasing companies that were not able to provide the right equipment. In addition, more general issues with infrastructure, like the poor condition of connecting roads or slow internet connections, were also mentioned as being barriers for SMEs.



2.8 Conclusions - main achievements of the EU4Business Initiative

The EU4Business Initiative this year celebrates its tenth anniversary, and the key achievements presented in this chapter show that considerable work has been done, though the limits of this initiative are far from being reached. The chapter focused mainly on the achievements in 2018, and shows that during this past year Key Performance Indicators monitored are all showing positive trends. As mentioned throughout the chapter, the results on the KPIs as reported in the progress reports of the different EU4Business projects

and programmes are often an underestimation of the actual results in place. More qualitative insights, like the success stories, the findings from the round tables and from the focus groups give the ability to frame the quantitative results on KPIs and give better insights on actual results and sometimes critical notes placed with these results.

Table 2.8 brings together all the results on the KPIs presented throughout the chapter and main achievements of the EU4Business Initiative are summarised in box 3.

Table 2.8 Results of EU4Business KPIs

nr	Indicator	2009-2017	2018	2009-2018
1.1	Annual value of export sales of supported SMEs at the start of the intervention and at completion/end of implementation.	:	:	:
1.2	Annual turnover of supported SMEs at the start of the intervention and at completion/end of implementation.	:	:	:
1.3	Average loan tenor provided to SMEs, disaggregated per products (e.g. microfinance, etc.)	:	:	:
1.4	Total value of loans disbursed to SMEs by PFI and IFIs supported by EU4Business Programmes	€2,156.312M	€318.438M	€2,474.751M
1.5	Number of SMEs that received loans from PFIs and IFIs through EU4B Programmes	73,382	6,038	79,420
1.6	Number of women led SMEs that received loans from PFIs and IFIs through EU4B Programmes	2,373	4,870	7,243
2.1	Jobs supported by EU4B Programmes (number of jobs (FTE) in the SMEs receiving support at their inclusion date)	150,959	66,758	217,717
2.2	Number of SMEs supported with EU4B Programmes providing for advisory services	3,018	1,961	4,979
2.3	Number of people in SMEs trained or coached	4,405	3,914	8,319
2.4	Number of women in SMEs trained or coached	392	290	682
2.5	Number and names of unique PFIs involved in EU4B Programmes (financial support)	42	3	45
2.6	Number and names of unique PFIs involved in EU4B Programme (technical assistance)	75	0	75
2.7	Number of people in PFIs trained or coached	2,190	0	2,190
2.8	Number of women in PFIs trained or coached	106	0	106
2.9a	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of the EU4Business programmes, in local currency	€107.869M	€222.317M	€330.187M
2.9b	Total volume of loans/guarantees/capital investments to PFIs for on lending to SME with support of the EU4Business programmes, in foreign currency	€994.175M	€129.649M	€1,123.824M
3.1	Number of new jobs	28,134	5,947	34,081
3.2	Number of BSOs supported with capacity building	351	83	434
3.3	Total Number of people trained or coached (Total: SMEs, PFIs, BSOs)	11,182	8,553	19,735
3.4	Number of people in BSOs trained or coached	1,701	620	2,321
3.5	Number of people participating in events	29,873	27,387	57,260
3.6	Laws (drafted)	92	45	137
3.7	Laws (implemented)	47	25	72
3.8	Number of assisted enterprises that report an increase in their international trade flows	12	0	12

Source: EU4Business Secretariat

Table 2.9 Overview of state of play of 2020 targets monitored under EU4Business Initiative

Target by 2020	State of Play	Achieved
Gender equality and non-discrimination		
EU contribution to the Women in Business programme, leverages at least USD 55 million in sub-loans from local banks to Women-led enterprises	As of the end of 2016, over 7,200 women-led SMEs have received financial assistance (i.e. loans) from the WiB programme for a total value of €60.9 million. This amount corresponded to USD 69.9 million hence the programme has already reached the EU2020 target of leveraging at least 55 million in sub-loans from local banks to women-led enterprises.	Yes
Priority I: Economic development & market opportunities		
At least 10 000 additional SMEs to benefit from EU assistance (with 80% in DCFTA countries), since the end of 2016	In the period 2017-2018, almost 15,000 SMEs benefited from EU financial assistance through loans, of which 52% were from DCFTA countries. As such, further efforts will be necessary in order to reach the EU2020 target of providing SMEs from DCFTA countries with 80% of EU assistance.	No
At least another 60 000 new jobs created and/or sustained in the supported companies, since the end of 2016.	According to the progress reports of the EU4Business programmes and projects, throughout the last two years 2017-2018, the EU assistance has resulted in the creation of almost 15,000 new jobs. Furthermore, almost 100,000 jobs were supported under the EU4Business initiative in this period 2017-2018. These results show that this target has been met and over achieved.	Yes
150 supported client-oriented business support organizations improved their services to SMEs, also in relations to the DCFTA requirements, as well as global market requirements.	In the period 2017-2018, the progress reports mention that 255 BSOs received capacity building support. Therefore, it seems that the EU4Business Initiative has already reached its 2020 target and even went beyond it by a factor of 1.7.	Yes

Source: EU4Business Secretariat

Table 2.9 above provides an overview of the extent to which the EU4Business Initiative is contributing towards the **Eastern Partnership - 20 Deliverables for 2020**. The results show that overall the initiative is well on track to achieving the 2020 targets.

During the 19th meeting of the Eastern Partnership Platform 2 “Economic Development and Market Opportunities”, which was held on 10 April 2019, the six Eastern Partner countries drew attention to a set of common challenges:

Box 3: Main achievements of EU4Business

- Throughout the period 2009-2018, Participating Financial Institutions (PFIs) and International Financial Institutions (IFIs) have provided financial support (i.e. loans) to almost 80,000 SMEs, of which 15,000 SMEs supported during the last two years, 2017-2018.
- During 2017-2018, over 2,300 SMEs have benefitted from technical assistance, bringing the total number of SMEs benefitting from technical assistance programs in the last 10 years to almost 5,000.
- In the period 2017-2018, the total value of loans disbursed to SMEs accounted for almost €713 million, and €2.5 billion for the period 2009-2018.
- During the ten-year period, 2009-2018, PFIs received financing for onward lending to SMEs of €330 million in local currency, and €1.123 billion in foreign currency. Of these amounts, 76% and 30% of the local and foreign currency lending respectively was in 2017-2018. This clearly shows the attempts of EU4Business to increase local currency lending to SMEs.
- Since the start of EU4Business, over 217,000 jobs have been supported and over 34,000 jobs have been created, of which 46% and 43% were created in 2017-2018 respectively.
- During the last two years, over 13,000 people from SMEs, PFIs or Business Support Organisations have been trained or coached, and over 38,000 people have attended events organised under the EU4Business programme. These figures represent 66% and 67% respectively of the total number achieved during 2009-2018, which were over 20,000 people coached and over 57,000 participants in events.
- Efforts to improve the regulatory framework have led to 137 drafted and 72 implemented new laws for the period 2009-2018, most of which took place in 2017-2018.

- Structural reforms and enhanced efficiency of public administration;
- Deregulation to minimize regulatory burdens;
- Reduced compliance costs for AA/DCFTA countries;
- Increased global competitiveness of Eastern Partner countries.

All these aim at further improving the business environment and enabling SMEs to attract investment. In addition, local currency lending to SMEs was also discussed as an important priority of EU4Business as well as restructuring of banks, capital markets and FinTechs.

In conclusion, the analysis of available data and information shows that EU4Business has so far resulted in the following important achievements:

Priority area 1: Improving access to finance



The EU4Business Initiative invested in the development of specific financial instruments minimizing the risks taken by PFIs in their on-lending to SMEs. The volume of funds available to SMEs has been increasing, the volume of loans, and the number of SMEs to whom loans are being made is also increasing. When specific problems have arisen, for example, the volatility in exchange rates, the EU4Business Initiative has responded by developing new instruments for lending to SMEs keeping in mind these challenges.

Local currency lending was introduced at the end of 2016 and the first strong results began to show in 2018. Given the volatility of local currencies, local currency lending was one of the targets defined in the Eastern Partnership 20 Deliverables for 2020. Local currency lending has boosted the volume of loans in Ukraine and is bringing concrete success stories in this country. With the introduction of **EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)**, the target of providing at least a quarter of EU financial support to SMEs through local currency lending was reached at the end of 2018.

The increasing focus on local currency lending has enabled SMEs to borrow without facing foreign exchange risk. The amount of local currency loans provided to PFIs in the last two years alone represents 76% of the total amount during 2009-2018.

The trainings and advisory services offered to PFIs focus on the core competences of PFIs and the ability of PFIs to cater to the needs of SMEs by developing new products and increasing outreach to stimulate demand for loans. The development of capacity building and training activities for PFIs seems to have received less attention in 2018 as no new activities were developed. Nevertheless, there seems to be still room for further efforts to increase capacity building and training, particularly in more rural areas.

Priority area 2: Tackling inadequate policy and regulatory framework



The projects addressing priority area 2 can present impressive results. The projects implemented by the OECD under the EU4Business Initiative seem to be successful in assisting partner governments in the identification of reform priorities by regular SME policy reviews and assessments against the principles of the Small Business Act for Europe (SBA). The **FORBIZ** project in Ukraine has supported a comprehensive review of the quality of the business regulatory framework in more than 80 market segments, supported the analysis and discussion of the industry self-regulation system, provided assistance and capacity building on the preparation of strategic documents and in the preparation of the SME development action plan, to name just a few of the activities carried out in 2018. Finally, the **STAREP** programme came to an end in early 2019, having successfully enhanced the capacity of policymakers and practitioners to develop, promote and apply suitable legal frameworks for SMEs and Small and Medium-sized Practices.

The projects under the EU4Business Initiative have clearly contributed to the improvement of business regulatory frameworks, achieved through policy advice and strengthened government commitment to reforms, which resulted in changes in legislation that countries implemented with their own resources or other donors support. Efforts have resulted in an increase of all six Eastern Partner countries in their ease of doing business score since 2016.

Priority area 3: Improving knowledge base and business skills



The third priority area of EU4Business has a particularly strong focus in supporting SMEs both directly through technical assistance mechanisms and indirectly by improving the services provided by BSOs. Throughout the last decade, projects falling under this priority area have greatly contributed towards an improved business environment in the region. These 20 projects have contributed to more than half of the portfolio's results regarding the number of SME and BSO people trained or coached. Similarly, this is also the case for the number of SMEs and BSOs that received technical assistance during the last ten years. It is also noteworthy that while these 20 projects represent 40% of the entire portfolio (20 projects out of 49), they contribute to 90% of the total number of new jobs created and 64% of the total number of jobs supported.

In addition, it is also important to note that the vast majority of these projects (16 out of 20) are bilateral, which inherently creates a leverage point as these projects' activities are designed in a tailored way which is specific to the beneficiary countries' needs. In this

way, it is essential that EU4Business programmes and projects aimed at improving knowledge base and business skills adopt a flexible structure that allows them to adapt to the needs of each SME. While some projects provide one-time technical assistance, others focus on engaging in a longer feedback cycle between the SME and an independent expert who accompanies the entrepreneur over a period of time, thus contributing to greater trust and confidence.

Priority area 4: Improving access to markets



In 2018, the €200 million of grants from the EU budget for the **DCFTA facility** announced in 2015 was fully committed with the signature of '**EU4Business - The EU Local**

Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)'. Programmes and projects supported by EU4Business have started to show some first impressive results, unlocking the doors to the EU for SMEs looking to export their products.

Over 960 SMEs received financial assistance and over 1,800 people were reached through advisory services and trainings. While it might still be too early to speak of concrete impacts of the DCFTA facility, the programmes have already supported over 75,000 jobs and have created over 14,000 new jobs. Concrete success stories show that the potential is there to make EU4Business support effective in increasing exports to the EU, but also to increase FDIs.



© European Union

EU4Business Initiative – the way forward

3.1 Introduction

In this last chapter of the Annual Report, it is important not only to stand still and look at what has been achieved through the EU4Business Initiative, but also to look forward and make recommendations on what challenge the Initiative needs to address in the future in order to achieve maximum benefits and to support inclusive economic development in the Eastern Partner countries. The elements presented in this chapter are common to the entire Eastern Partnership region, while the particularities for each country are noted where appropriate. More details on each country are presented in the Country Reports⁵⁴.

The recommendations presented in this chapter build further on the results presented in previous chapters of this report and on conclusions of the roundtables and focus groups conducted across the Eastern Partner countries.

National roundtables were held in the capitals of all six Eastern Partner countries between mid-March and early May 2019, and engaged all the EU4Business stakeholders in each country: the EU Delegations, the IFIs involved and national counterparts – SME agencies and Ministries of Economy, commercial banks in their role of PFIs, business associations, other key implementers and related parties. Between 17 and 48 people took part in each roundtable, and the total number of participants for the region was 166. The discussions focused on the ongoing achievements across all four priority areas of EU4Business, while the content was tailored to the specific priorities of each country. The participants were guided to address the forthcoming challenges anticipated and to propose solutions for the way forward. These meetings generated a larger scope of analytical materials, which were also used for the purpose of this chapter.

In-depth focus group meetings were conducted with SMEs in all partner countries during the same timeframe as the roundtables. These involved a total of 68 entrepreneurs across the six countries.

The participants were recipients of EU4Business loans and/or technical assistance (as the dominant group), and entrepreneurs who had not received any EU4Business assistance (as the control group). Invited SMEs came from a variety of relevant economic sectors, were of average size thus avoiding micro and large companies, and originated from the capital and other localities.

The EU4Business Secretariat and especially the national liaison officers in each capital maintain local contacts with stakeholders and beneficiaries and generate a vast amount of knowledge used in the analytics. They have, jointly with the Secretariat's communication team, also collected implementation evidence and stories (over 150 altogether), which represent valuable additional information on what is happening on the ground. The Eastern Partnership Business Forum held in Vienna in December 2018 and the important discussions and ideas that were generated are also built into the content below. Finally, managers and staff from IFIs, from regional and bilateral projects involved directly in implementation across the EaP, were interviewed and their views and quotes feature in this chapter.

Chapter 2 of this report focuses on the achievements of the EU4Business Initiative. The preliminary findings on the EU4Business performance served as an input to the discussions at the focus groups and the roundtables. The central question that was put forward in the focus groups was to what extent the EU4Business Initiative contributed to addressing the needs of (all types of) SMEs, and more particularly to what extent technical assistance brings an added value to financial assistance. In the next section, some general findings from these focus groups, complemented with findings from other consultative meetings, are presented.

3.2 Reflections from the consultative processes across the region

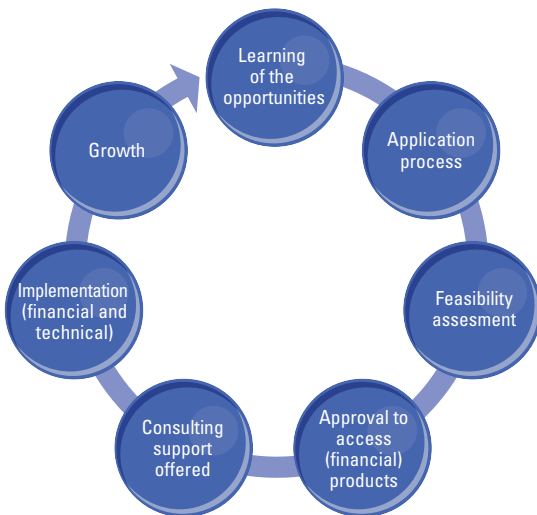
The EU4Business Initiative combines regional and bilateral assistance that allows for a more concerted strategic focus and better coordination in supporting SMEs in the Eastern Partner countries. Each country has enjoyed a tailored approach, supported by the EU

54 The EU4Business country reports for 2019 will be published as six separate reports made available at the EU4Business website.

Delegations and the key stakeholders, considering the existing needs of the economy and the priorities set by each respective government.

For most countries and their SME environment that meant benefitting from a tailored mix of access to finance products as well as technical assistance that aimed at increasing the capacities and skillsets of the beneficiaries to permit them to grow and engage in new markets. In practical terms, this means that an SME has to go through a support and growth cycle (see Figure 3.1) that involves: learning of the opportunities, completing the application process and undergoing assessment, resulting in an ability to access financial products with a range of complementary consulting services discussed/offered to support its shortcomings, and tailored support (financial and technical) implemented, all ultimately leading to its growth.

Figure 3.1: EU4Business Growth Cycle



Source: EU4Business Secretariat

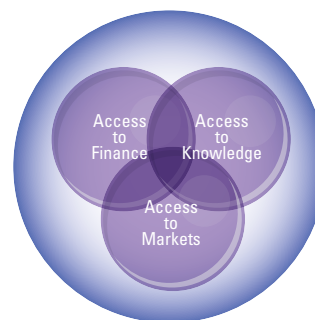
For most SMEs who successfully completed the cycle and entered a new phase, i.e. another round of such support, this was a complex learning process. They often joined the programmes understanding very little of what their real needs were. Frequently, they approached financial institutions seeking support for working capital, sometimes simply to overcome their current needs and shortages. However, as they engaged with a range of products and particularly the technical assistance, they grew to understand that it was not the shortage of finance or capital which inhibited their growth, but very often lack of understanding of the market, supply chain, efficient financial management etc. This is of course a ‘chicken and egg’ dilemma, because it is hard to know what the real needs of a company are before they face an appropriate screening, and even more so until they meet industry experts who can lead them through a proper assessment of their own internal strengths and weaknesses, and external market opportunities

and threats. Sometimes, basic financial literacy was missing, particularly with the small and micro enterprises, while the medium-sized ones lacked a broader market perspective, particularly as they strive to penetrate a new market, such as the EU. At the end of the day, those enterprises that benefitted from a multitude of support and/or projects grew faster and were much more accurate in seeking further support, as they completed the EU4Business growth cycle above. Once they started a new phase or another cycle, the learning path was much steadier and faster.

Companies that successfully accessed different types of technical and financial support profited more than those that enjoyed only one type of assistance, according to the in-depth conversations with the SMEs involved in the EU4Business Initiative. This effect is amplified in those countries that enjoy a sounder business climate, e.g. Georgia that typically leads the charts of business-friendly environments. Figure 3.2 visually presents this additionality of each element, which are directly linked to the four priority areas of the EU4Business Initiative. The darker the shaded areas, the greater the growth potential for the SME.

These findings support the focus that is defined in the work programme for the Eastern Partnership Panel 2 on economic development and market opportunities to further improve the investment and business environment by addressing gaps in access to finance and financial infrastructures, developing further the investment and business environment and to invest in the creation of new job opportunities by also tailoring actions not only on regional but also more at national level.

Figure 3.2: EU4Business Benefits to SMEs



Investment climate

The darker the shaded areas, the greater the growth potential

Source: EU4Business Secretariat

3.3 Strengthening EU4Business – further enhancing support for SMEs

This section presents specific recommendations based on the findings from the consultative processes described above. The five most important issues are highlighted, alongside the basis for the recommendation.

We are in for a long-term partnership

What has come out from former and ongoing projects, in particular such as those supporting the DCFTA, is that Eastern Partner countries' access to the EU market takes much more adjustment time and investment than initially anticipated. SMEs are often unable to cope with basic requirements (sufficient staff and skills particularly in smaller firms), let alone standardisation and certification requirements, overcoming logistics issues, competitiveness etc.

These are long-term industry adjustments that will require a longer horizon and replication of successful projects in the DCFTA, as well as the other three Eastern Partner countries. Given the lengthy certification and standardisation requirements and processes alone, it is expected that the actual industry-wide benefits will take many years to be measurable on a significant scale (detailed evidence in Chapter 2 under 2.7 DCFTA and EU4Business - overcoming the challenge to enter new markets).

Another example is the increasing shortage of skilled labour across the region, which inter alia leads to greater demand in quality vocational education. As the focus group discussion shows, some existing training centres do not enjoy a solid reputation. In addition, entrepreneurial learning, especially for young people, will eventually develop a future cohort of entrepreneurs and positively influence attitudes to both entrepreneurship and small business among the public. But none of this is a market adjustment attainable within a project time horizon. More such examples are provided below.

Local currency lending seems the best way forward to increase SMEs' access to finance

While most of the programmes included in the EU4Business portfolio have a regional focus, experiences from the implementation show that social, economic and political contexts of the different Eastern Partner countries need to be taken into account. An important example in this context was referred to in Chapter 2 when discussing the introduction of local currency lending in Ukraine. The unstable economic and financial situation in Ukraine

complicated the roll-out of the loan guarantee schemes with loss risk sharing.

In 2016, local currency lending was launched and included as an objective within the 2020 Deliverables. As part of the EU4Business Initiative, PFIs received financing for onward lending to SMEs for a total of €330 million in local currency. Disbursements of loans started end 2017 and came to full speed in 2018. The significant increase in loans taken by Ukrainian SMEs under the EU4Business Initiative during 2018, compared to the previous nine years of the Initiative, shows that local currency lending is working well on the SME market.

Investing in creating access to finance will remain important, including a focus on small companies

As reported in Chapter 2, the average size of loan is around €31,000 within the EU4Business Initiative. The average loan size across different EU4Business access to finance programmes can, however, vary significantly. The analysis presented in Chapter 2 on the number and value of loans disbursed in the six Eastern Partner countries, indicates that it is mainly the more established medium enterprises that are currently beneficiaries of the EU4Business access to finance programmes. There still seems to be a potential for developing instruments that would reach out to smaller, even micro-enterprises and start-ups.

In order to broaden the scope of financial instruments, and make them available to a broader range of SMEs, further investment is needed to strengthen the banking sector and deepen the non-banking financial market, supporting leasing, factoring and equity funding.

Microfinancing encounters different experiences in the different Eastern Partner countries. While in Georgia and the Republic of Moldova the concept of microfinance institutions is better developed, with respectively 63 and 60 microfinance institutions active at present⁵⁵, there is room for improvement in Ukraine. The **Armenia SME Finance and Advice Facility**, for instance, is contributing to the development of the microfinance sector in the country and expectations are high with regard to this EU4Business project.

55 DCFTA Initiative East, description of action.

Linking financial instruments and technical assistance can accelerate the growth cycle

Improving the capacity of SMEs to access finance is a challenge that is addressed by all the EU4Business access to finance projects, resulting in an increase in the number of SMEs receiving support over the past 10 years, and especially in the most recent years. Almost all the projects under the EU4Business Initiative that implement financial instruments have a technical assistance component. This can be in the form of training and assistance to the PFIs or Business Support Organisations (BSOs) or direct assistance to SMEs, or a combination of both. The technical assistance improves the knowledge and skills not only of SMEs, as the final beneficiaries of financial instruments, but also of the key players in their eco-system, an approach that needs to be sustained in future EU4Business programmes.

A good example in this respect is the clustering approach applied, among others, in the **SMEDA** project in Armenia. Through the allocation of grants, eco-systems are built for specific sectors such as IT and fashion. This allows for a more structured allocation of resources, moving away from a shot gun approach to individual SMEs to a targeted funding of SMEs within a specific eco-system, also guaranteeing tailored support that combines technical assistance with financial instruments.

Our analysis in Chapter 2 and the results of the focus groups demonstrate the need to reinforce coordination between technical assistance provided through training and capacity building of SMEs and the financial instruments; this is with the purpose to ensure complementarity and synergies within and between EU4Business programmes. The respective EU4Business progress reports do not always offer information as to what extent the SMEs receiving training and capacity building support are the same SMEs that also get loans. It would be useful to put in place monitoring mechanisms that would allow us to make this link. The lack of concrete evidence on this element, was one of the reasons to look further into this aspect through focus groups with SME entrepreneurs. The findings of the focus groups clearly confirmed that the combination of technical and financial assistance, provided to one and the same SME, is experienced positively and it is much appreciated by the beneficiaries.

Growing demand for targeted expertise delivered by peers

The importance of technical assistance, training and mentorship, in particular for innovative SMEs, has been repeatedly highlighted in order to ensure appropriate absorption capacities and sustainable use of funding and other support. Yet, it is sometimes hard to locate and identify those businesses that have training needs, as SMEs are themselves often unaware of them. Some estimates therefore show that enhancing entrepreneurial skills, digitalisation and modernisation requires far greater resources, and that demand is potentially enormous. Individualised trainings on how best to utilise resources in a specific industry or cluster environment, combined with financial education, when followed by access to finance opportunities, yield the highest results. This is particularly true with businesses that often lack experience in how to make the most economic proposals when borrowing money and get a better outcome from the assistance received, including entrepreneurial development.

Focus group view (Moldova) on availability of appropriate consulting services to SMEs:

“It is difficult to locate the right skillset at the market; there is little information on the pricing. Such information is not readily available – at the very best we rely on hearsay. Preparing project applications without that data is difficult and potentially costly.”

Capacity building provided through an industry cluster-building approach to SMEs ensures the efficiency and quality of the services, as well as their visibility in the industry. Improving management systems and marketing are only the start of individualised work with the members. The exchange among them offers ideas and strategies on how to create or share brands and launch them on the international market.

Focus group view (Armenia) on targeted assistance:

“We need more networking, twinning, cooperation between SMEs nationally and internationally. We profit most when more experienced SMEs advised those with less experience. Perhaps sector networks can be created to increase mutual learning and exchange of experiences as well as business opportunities.”

Producers with the ambition to export, seek assistance in many of the requirements of international trade. They realise that quality compliance is a starting point, but they also face administrative and logistic procedures for products to cross the borders with the EU. While some EU4Business projects increase the knowledge of SMEs in EU quality standards and foreign trade procedures, others should follow and provide

in-house practical skills tailored to the specifics of the particular SME. A mentoring support to SMEs with high potential for international trade, with experts from within the same industry, is what many entrepreneurs are looking forward to receive. For instance, the ITC project **Eastern Partnership: Ready to Trade** offers this type of support.

A very important consideration is the labour intensity of these efforts, and, as the in-depth investigation confirms, the availability of industry or peer experts, rather than consultants-generalists. Demand for 'one-size-fits-all' training rapidly decreases, while tailor-made trainings are far more relevant, specifically in-depth and tailored on-the-job training with peers and experts from the same or similar industry or experienced specialists. Focus group discussion reveals that some of these 'generalist' business trainings are expensive, and that given the cost sharing, SMEs prefer procuring a consultant themselves using other means. Industry/sector trainings, delivered by specialists or managers of such businesses, are seen as far more effective.

This is a relatively costly and certainly a long-term endeavour that builds capacities slowly, but has enormous demonstration effects across the sector or industry. Collaboration among SMEs and sharing of experience and resources, including know-how and consulting services is seen as very useful, and cluster or industry development projects therefore bring tremendous value to their participants. Likewise, marketing and participation in fairs/events, when structured and prepared well, are highly appreciated by the participating SMEs for the sheer amount of knowledge and industry contacts that they deliver. Ultimately, better positioned SMEs might be able to pull the laggards with them, especially as they look to conquer new markets..

Focus group view (Ukraine) on working with the whole supply chain:

"It is important to include everyone: producers, farmers, retailers, consumers. Supply chain should be organized so that each member understands the process of value creation and how it influences the price of a product."

There is a clear need for more advisory projects, which include on-the-job training and learning by doing, rather than collective mass education on general topics. Finally, it is also important to bear in mind that simply providing subsidies or grants to SMEs creates market distortions and is not desirable in the medium to long run – it may demotivate creation of innovative solutions.

Bringing the EU market virtually closer

Finding appropriate and tailored information on EU4Business projects is still challenging, especially outside the capitals. Most information on any EU4Business projects there remains intermediary-bank owned, including what consulting support is available. Application paperwork is extensive and the process lengthy, and language is perceived as difficult by many, especially smaller firms (resources are dominantly available in English). SMEs often do not have staff who can cope with the administrative requirements. For potentially export-oriented businesses, it is very difficult to receive initial information about demand, potential customers, logistics, etc. SMEs do not have sufficient understanding of foreign, i.e. EU market for export or procurement of goods/services to make an informed request when approaching consultancies.

Access to a one-stop trade portal where key information is stored would help the entrepreneurs prepare better requests for support and plan their growth appropriately. Such an accessible online resource would help them understand new markets better when planning trade. Appropriate information would be available on: regulation (standards, certification), potential clients (buyers, sellers, investors), logistics information and services – such data would help SMEs engage in a proper market research and would offer a user-friendly searchable tool for SMEs. The establishment of the EaP Trade Help Desk answers this need to a great extent. Eastern Partner countries are strongly encouraged to engage and take ownership of this useful tool for economic operators.

Another recommendation to consider is for EU4Business projects to engage industry or field experts who come from organisations of senior experts across EU countries. Many such organisations, like for instance the Netherlands PUM, are making thousands of senior industry professionals available for the transfer of knowledge and experience. Many corporations also have social responsibility programmes aiming at assisting entrepreneurs with specific knowledge and skills, such as in the field of market entry, business networks and matchmaking, business planning, financial accounting, pricing and export preparedness. The EC encourages public-private partnership and the respective blending of instruments, and EU4Business does have room for expansion in this respect.



Learning from the past to maximise impact

Sharing of good practices and success stories among peers within a country, and creation of demonstration effects, has multiple benefits on outreach and capacity building. Nonetheless, this needs to be done cautiously, as successful SMEs are less inclined to open to the public due to their fear of excessive control by national regulators.

Large EU4Business programmes have been implemented for many years now. The review of more than 400 progress reports and other documents, as well as the discussions with many SMEs and stakeholders, have provided convincing results of what EU4Business has achieved over its ten years of operation. The ten years of implementation also provide substantial information on the basis of which to examine, not only the direct, but also the indirect impact that the Initiative has had on the economies and societies of the Eastern Partner countries. An ex-post impact assessment across EU4Business programmes could provide a useful food for thought that would benefit future EU4Business programming.

Reaching out beyond the capitals

As SMEs outside the capitals are more inclined to transfer their operations to larger cities, a balanced programmatic effort should be made to reach out, engage with and motivate SMEs in the regions to work and continue their growth at their present location, thus boosting the economy of their parts of the country. Entrepreneurs outside the capitals either have difficulties

to grow or have to relocate to the capitals to thrive. This is mirrored in their ability to access finance. EU4Business programmes have reached out with their technical assistance to more than 70 local financing institutions across all six countries. This effort needs to continue and especially go closer to SMEs in the provinces by developing further the knowledge and skills of the PFIs' local branches. There is more space not only for transferring technical skills and knowledge to the PFIs locally, but also to increase their awareness of EU4Business.

Focus group view (Belarus) on availability of SME support:

“EU4Business products and other SME support in the rural areas outside the capital practically does not exist. So, unless my firm operates in Minsk it is tremendously difficult to access such support.”

Well-designed efforts and clear commitments from implementers on the ground are essential to ensure good and effective communication and visibility, especially of the EU4Business access to finance projects. While increasing numbers of users visiting the EU4Business website, there is room to do more. For instance, direct outreach to SMEs is essential and needs to go hand in hand with the implementation of the programmes. The messages and the information need to be on time, well tailored, leading interested SMEs to the next step of action. Information has to be in the local language and presented in an appealing way. EU4Business can go one step further, reaching out to a more targeted group of SMEs, eligible for funding, with a tailored message and communication tool.

Regulatory environment requires further reforms

Through the **From Policies to Action** project, the OECD has given a prominent role to reforms aimed at improving the regulatory framework for SMEs. For instance, in Georgia, OECD support to the national SME Strategy 2016-2020 led to the development of a draft law on Regulatory Impact Assessment and a number of pilot RIAs carried out. At the regional level, the new Small Business Act (SBA) assessment methodology has been updated to capture the extent to which countries are putting in place digital government services and simplified tax compliance procedures for SMEs.

Looking ahead, to enhance regulatory conditions for SMEs, Eastern Partner countries should keep working on the simplification of administrative procedures, expanding regulatory impact assessment with specific 'SME tests', reforming tax administration and bankruptcy laws, and make use of digital technologies to reduce administrative burdens and facilitate collaborative relationships with businesses and citizens. These reforms should be complemented by an ongoing effort to create a competitive environment for businesses of all sizes, removing barriers to entry and preventing anti-competitive behaviours by incumbents.

OECD assessment for the OECD/EC/EBRD/ETF (2020), SME Policy Index: Eastern Partner Countries 2020, forthcoming

The situation is significantly better for business operations in the capital cities than in the regions. In order to be more effective, a coordinated effort is needed to work with a variety of stakeholders for a better outreach. The current focus on pilot regions until 2020 will help to address these concerns at least in the geographic areas currently targeted.⁵⁶

SMEs which have successfully combined multiple products learned more and benefitted strongly, as opposed to those who only borrowed or participated in limited training. Therefore, extended presence, clustering, working closely with expanding and risk-taking businesses, creates demonstration and ripple effects in a country. Trade agreements provide the framework for SMEs in the region to benefit from a much larger market, but it takes years to prepare businesses to enter and compete successfully. Assistance provision needs to pay particular attention to the size of SMEs and their absorption capacities, as well as ensuring a solid coverage of each country, reaching out beyond the capitals, and training intermediaries such as participating commercial banks to adequately introduce support options.

The analysis of the progress reports of the EU4Business projects and programmes brings interesting insights, many of which can be read in Chapter 2 of this report. At the same time it also shows the limitations of the available data currently provided. More detailed data delivered by the different implementers could enhance the monitoring work on the EU4Business Initiative. Meetings with beneficiaries and in-depth discussions enhance our understanding and reveal concrete needs, what works well and what does not, and how best to replicate success stories. Also, these inputs are very useful for the EU4Business stakeholders who have primarily selective access to beneficiary SMEs and limited first hand consultations with them. Therefore, going forward, more work on the ground is needed, and consultations like the focus groups with SMEs should take place on a regular basis, in order to provide important inputs into EU4Business operations and future programming.

3.4 Conclusion – the future of EU4Business support

EU4Business enjoys an excellent reputation and high demand for its support in the foreseeable future. Financial products will be popular for as long as they maintain their place at or below market rates, with a variety of by-products, such as technical assistance, etc. As the beneficiaries become more sophisticated and look to expand exports into the EU, they will be requesting targeted support, likely delivered by their peers and industry colleagues in labour-intensive on-the-job trainings, which is a lengthy process, requiring long-term EU4Business presence. There is a growing distinction of consultants vs. industry experts (businesspeople, peers), with the latter appreciated much more by the beneficiaries.

56 18th meeting of the Eastern partnership platform 2: "Economic Development and Market Opportunities"



Annex A:

EU4Business list of projects and programmes by priority area

Priority area 1: Improving access to finance

Project/Programme	SME Finance Facility - Phase I - EBRD/KfW/EIB
Implementer	EBRD/KfW and EIB
Start – end date	2010 - 2020
Description	The SME Finance Facility combines loans from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and KfW (Kreditanstalt für Wiederaufbau, the German government's development bank) with EU grant resources, to support SME lending in the Eastern Partnership region. Financing is channelled through financial intermediaries throughout the region, increasing the availability of long-term funding to the SME sector.
EU Budget (EUR)	€15.3 million
Countries	GE, MD, UA

Project/Programme	SME Finance Facility - Phase II - KfW/EBRD/EIB
Implementer	EBRD, KfW, EIB
Start – end date	2016 - 2030
Description	The emphasis in Phase II of the SME Finance Facility is to stimulate local currency lending, especially for micro, small and medium-sized enterprises (MSMEs) in Ukraine that are not earning foreign currency and cannot afford the high costs of borrowing.
EU Budget (EUR)	€15.4 million
Countries	UA

Project/Programme	EFSE (Neighbourhood Window of the European Fund For South East Europe - ENR Component)
Implementer	KfW
Start – end date	2009 - 2021
Description	The Fund aims to foster economic development and prosperity through the sustainable provision of additional development finance, notably to micro and small enterprises (MSEs) and to private households, via qualified local financial institutions.
EU Budget (EUR)	€5.1 million
Countries	Region

Project/Programme	EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)
Implementer	KfW
Start – end date	2018-2039
Description	The main goal of the action is to make it possible for EFSE to provide access to medium term credit in local currency for underserved MSMEs and low-income households without exposing them to foreign currency risk. In addition to this, the Action also has the following specific objectives: 1) improving access to finance and job stability/ creation; 2) leveraging public and private capital (catalytic effect); and 3) strengthening inclusion of local financial market.
EU Budget (EUR)	€50.32 million
Countries	Region

Priority area 1: Improving access to finance

Project/Programme	Women in Business
Implementer	EBRD
Start – end date	2015 - 2022
Description	The Women in Business programme helps women-led small and medium-sized enterprises to access the finance and the know-how they need to grow. The EBRD provides access to finance through credit lines to local banks dedicated to develop women-led SMEs, alongside business advice to help businesses become more competitive. The programme also offers training, mentoring and other support to enable women entrepreneurs to share experiences and learn from each other.
EU Budget (EUR)	€5.035 million
Countries	Region

Project/Programme	DCFTA Initiative East (EIB)
Implementer	EIB
Start – end date	2016 - 2021
Description	The Deep and Comprehensive Free Trade Area (DCFTA) Initiative East aims to strengthen economic development in the countries which have signed an association agreement with the EU - namely Georgia, Moldova and Ukraine - by providing targeted financial and technical support to small and medium-sized enterprises (SMEs) in these three countries.
EU Budget (EUR)	€62.746 million
Countries	GE, MD, UA

Project/Programme	EU4Business - EBRD Credit Line - Phase I
Implementer	EBRD
Start – end date	2016-2026
Description	The project helps small and medium-sized enterprises to take advantage of the opportunities provided by the Deep and Comprehensive Free Trade Area (DCFTA) between Georgia, Moldova, Ukraine and the European Union. The EBRD helps SMEs access finance for DCFTA-related investments through local partner financial institutions. It also provides technical assistance to help businesses better define those investments and improve their international competitiveness. Investments can take a wide range of forms, from upgrading equipment and technologies to introducing new quality, health or safety standards.
EU Budget (EUR)	€19.43 million
Countries	GE, MD

Priority area 1: Improving access to finance

Project/Programme	EU4Business – EBRD Credit Line – Phase II
Implementer	EBRD
Start – end date	2017-2027
Description	The EU4Business – EBRD Credit Line – Phase II Programme assists the development of the SME sector and its capacity to take advantage of DCFTA opportunities through a variety of investments supported by grant funding from the EU for risk mitigation, investment incentives to SMEs and technical assistance.
EU Budget (EUR)	€38.9 million
Countries	GE, MD, UA

Project/Programme	DCFTA Direct Finance Facility
Implementer	EBRD
Start – end date	2014-2024
Description	The Facility combines loans with EU grants to support direct SME financing in Georgia, Moldova and Ukraine. It seeks to improve access to finance by providing guarantee schemes and technical assistance to increase the number of viable projects carried out by SMEs.
EU Budget (EUR)	€10.22 million
Countries	GE, MD, UA

Project/Programme	Financial Sector Institution Building and Crisis Response
Implementer	EBRD
Start – end date	2009-2021
Description	The project aims at restoring access to credit for micro, small and medium enterprises (MSMEs) in the Eastern Neighbourhood region by providing assistance to financial institutions particularly affected by the financial crisis. Developed as a response to the exceptional situation created by the crisis, the project aims to prevent the risks of contagion of bank failures across the region and a sudden shrinking of the real economy.
EU Budget (EUR)	€12 million
Countries	Region

Project/Programme	Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia
Implementer	EBRD
Start – end date	2009-2019
Description	The project seeks to create sustainable financial intermediaries (FIs), as well as to improve the local financial sector's efficiency, effectiveness and transparency needed to facilitate the access to financing for enterprises. It provides assistance to FIs focusing on specific projects and clients, supports the application of internationally acceptable banking practices, and promotes competition in the region.
EU Budget (EUR)	€2.88 million
Countries	AZ, GE

Priority area 1: Improving access to finance

Project/Programme	Armenia SME Finance and Advice Facility
Implementer	EBRD
Start – end date	2017-2029
Description	The facility deploys EU funds blended with those provided by the EBRD and other investors to support Armenian SMEs. It improves access to finance for SMEs through a combination of investment projects and technical assistance, and a diversification of sources of finance, ultimately creating jobs, contributing to increased investment, capital market development and diversification of economic activity.
EU Budget (EUR)	€15.38 million
Countries	AM

Project/Programme	Support to SMEs in rural areas
Implementer	Organisation for SME Sector Development
Start – end date	2018-2021
Description	The project supports the creation of employment opportunities, especially for women, through investment and non-financial support for rural SMEs, leading to increased rural job creation. Activities support the creation and diversification of rural businesses, specifically MSMEs, assistance to agri-food SMEs in making investments that allow them to comply with EU food safety standards, creating new jobs, attracting foreign investment, and decreasing migration flows from rural to urban areas or even abroad.
EU Budget (EUR)	€4 million
Countries	MD

CLOSED

Project/Programme	Filière du vin
Implementer	EIB
Start – end date	2014-2016
Description	The Wine Sector Restructuring Programme, conceived by the Moldovan government and the European Investment Bank (EIB), aims to address structural weaknesses in the Moldovan wine industry, from vineyard to final packaging and dispatch of wine. The programme assists small and medium-sized enterprises active in this sector, including local growers, winemakers and associated industries such as bottle production.
EU Budget (EUR)	€2 million
Countries	MD

Priority area 2: Strengthening policy and regulatory framework

Project/Programme	FORBIZ
Implementer	GFA-led consortium in partnership with GIZ and Berlin Economics
Start – end date	2016-2019
Description	The FORBIZ project supports Ukraine’s reform agenda and its economic recovery by proposing a systemic, smart change to a more business-friendly environment with a particular focus on SMEs. The project seeks to steer a shift in policy towards greater recognition of SMEs and the vital role they play in economic recovery, while addressing the challenge of reducing regulatory burden and lessening risk for businesses.
EU Budget (EUR)	€6.825 million
Countries	UA

Project/Programme	EU4Business: From Policies to Action
Implementer	OECD
Start – end date	2017-2020
Description	The Action is structured around two pillars: (a) a country-level pillar to provide tailored support in the design, monitoring and upgrading of strategies and programmes to support firm competitiveness, evidence based policy making and wider business environment reforms, and (b) a regional pillar to support regional policy dialogue, notably via the annual OECD Eurasia Competitiveness Roundtable and benchmark policy performance across the region through a new SBA assessment cycle (2018-2019).
EU Budget (EUR)	€4 million
Countries	Region

Project/Programme	Financial Inclusion and Accountability
Implementer	World Bank
Start – end date	2018-2022
Description	The project supports analytical, advisory and capacity building support to strengthen key elements and lay the foundations for enhancing financial inclusion and accountability in Georgia. Its main objectives are enhancing the framework for capital and insurance market development; improving the financial infrastructure and responsible financial inclusion; and promoting better corporate and State-Owned Enterprise (SOE) governance and reporting.
EU Budget (EUR)	€4.5 million
Countries	GE

CLOSED

Project/Programme	SME Competitiveness Reforms
Implementer	OECD
Start – end date	2013-2017
Description	The project assists Eastern Partnership countries in the implementation of policy reforms based on policy recommendations from the OECD’s Small and Medium-sized Enterprises (SME) Policy Index, contributing to improved government responsiveness to SME needs and requests, and to improved public-private dialogue at national level.
EU Budget (EUR)	€2.5 million
Countries	Region

CLOSED

Project/Programme	Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP)
Implementer	World Bank
Start – end date	2014-2019
Description	STAREP aims to help participating countries both to improve their frameworks for corporate financial reporting and to raise the capacity of local institutions to implement these frameworks effectively.
EU Budget (EUR)	€1 million
Countries	Region

Priority area 3: Improving knowledge base and business skills

Project/Programme	Advice to Small Businesses - Phase II
Implementer	EBRD
Start – end date	2015-2019
Description	The programme aims to promote good management in the small and medium-sized enterprise (SME) sector by providing technical assistance to individual enterprises, helping them to grow their businesses. It supports SMEs to make structural changes and develop new business skills, helping them to thrive and compete in market economies. The programme also seeks to enable SMEs to access local consulting services on a cost-sharing basis by providing grants of up to €10,000. Furthermore it aims to develop a sustainable infrastructure of business advisory services, ensuring improved services for SMEs.
EU Budget (EUR)	€8 million
Countries	Region

Project/Programme	Support to SME Development in Armenia (SMEDA)
Implementer	GIZ
Start – end date	2016-2019
Description	The project supports the improvement of the business and investment climate for small and medium-sized enterprises (SMEs) in Armenia. It aims to strengthen the private sector, support SME coordination mechanisms, and foster links between research institutions and the private sector, as well as providing access to finance for SMEs.
EU Budget (EUR)	€6.4 million
Countries	AM

Project/Programme	DCFTA Adaptation Programme (DAP) – Support for SME Competitiveness in Georgia
Implementer	EBRD
Start – end date	2015-2019
Description	The project aims to strengthen the competitiveness of Georgian small and medium-sized enterprises (SMEs), facilitate exports, adopt new standards and raise awareness of the DCFTA (free trade agreement with the EU). It also works to improve the quality of local business advisory services.
EU Budget (EUR)	€4.5 million
Countries	GE

Project/Programme	EU4Business: Network of Business Support Centres in Ukraine
Implementer	EBRD
Start – end date	2016-2020
Description	The programme aims to improve the competitiveness and ability to access finance of Ukrainian SMEs through the provision of business advice and capacity building, as well as preparation for financing from the EBRD and other financial institutions. Furthermore, the programme supports the creation of a network of 15 business services centres across the country to support SMEs in accessing the right financing and know-how support for their business. At least 30,000 SMEs and entrepreneurs will benefit from the project.
EU Budget (EUR)	€40 million
Countries	UA

Priority area 3: Improving knowledge base and business skills

Project/Programme	Boosting competitiveness of regional SMEs
Implementer	SME DNC of Armenia
Start – end date	2016-2019
Description	The project works to boost the competitiveness of regional SMEs and to create employment opportunities in the Armenian regions (marzes) of Lori, Syunik and Armavir, focusing on the sectors of food-processing and tourism. It promotes the development of entrepreneurship by creating favourable conditions for start-ups and strengthening the capacity of local SMEs, while also providing relevant skills to job seekers, and developing local capacity to encourage the further promotion of economic development initiatives.
EU Budget (EUR)	€1.123 million
Countries	AM

Project/Programme	Boosting technological development in Shirak Marz
Implementer	MICAF
Start – end date	2016-2019
Description	The project supports the economic development of Shirak marz by boosting the skills of unemployed young people and the business development of the IT community through training and financial assistance. The project develops intensive IT training courses for young unemployed and conducts mentoring programmes for young people involving potential employers in the IT industry.
EU Budget (EUR)	€510,000
Countries	AM

Project/Programme	Promoting Community-based Agritourism as a Rural Regeneration Strategy
Implementer	LGA
Start – end date	2017-2020
Project Description	The project seeks to foster economic regeneration and job creation by developing community-based agritourism and strengthening linkages between the agriculture and tourism sectors in eight regions of Azerbaijan (Guba, Gusar, Shabran, Siyazan and Khachmaz in the north and Salyan, Jalilabad and Lankaran in the south), contributing to overall economic and social development in the target regions.
EU Budget (EUR)	€384,437
Countries	AZ

Project/Programme	Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan
Implementer	Azerbaijan Micro-finance Association (AMFA)
Start – end date	2018-2020
Description	The project targets micro and small-scale rural business entrepreneurs and their families in five rural regions (Ganja city, Shamkir, Guba, Barda and Zagatala), aiming to help them start or expand their own business by equipping them with skills and seed capital, as well as helping men and women better to manage their household budgets.
EU Budget (EUR)	€418,324
Countries	AZ

Priority area 3: Improving knowledge base and business skills

Project/Programme	Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan
Implementer	UNDP
Start – end date	2017-2020
Description	The project supports the development of community-based family businesses and rural entrepreneurship in the Sheki-Zagatala Economic Zone in Azerbaijan, by working with and building the capacity of the ‘ABAD’ public body for support to family business, as well with selected target families to develop skills and support the growth of micro enterprises.
EU Budget (EUR)	€820,000
Countries	AZ

Project/Programme	Advice For Small Businesses in Belarus
Implementer	EBRD
Start – end date	2017-2021
Description	The programme enhances the competitiveness of SMEs in Belarus operating across a wide range of sectors, with a focus on regional development, by increasing entrepreneurial skills, financial literacy, and the ability to adjust to markets within and outside Belarus. It increases the capacity of SMEs at the local/rajon level in order to increase the contribution of SMEs to the country’s economic growth.
EU Budget (EUR)	€6 million
Countries	BY

Project/Programme	Local Economic Development in Belarus (LED)
Implementer	UNDP
Start – end date	2019-2022
Description	The project supports participatory local development and entrepreneurship in Belarus, with the aim of enhancing local growth and competitiveness, while at the same time addressing social vulnerabilities.
EU Budget (EUR)	€7.7 million
Countries	BY

Project/Programme	Georgia on European way: Creation of Effective Model for DCFTA and SME Strategy Implementation
Implementer	Eastern Europe Studies Centre (EESC)
Start – end date	2017-2019
Description	The aim of the project is to strengthen the capacities of Georgian CSOs and BSOs with overlapping functions of CSOs along the DCFTA implementation process and along the implementation of the SME strategy for Georgia.
EU Budget (EUR)	€400,000
Countries	GE

Priority area 3: Improving knowledge base and business skills

Project/Programme	Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy
Implementer	KAS
Start – end date	2017-2019
Description	The purpose is to strengthen Civil Society Organisations (CSOs) to serve as effective vectors of democratic and socio-economic development. This action will empower civil society organisations, especially from the regions of Georgia, to effectively engage and participate in DCFTA/ SME policy formulation.
EU Budget (EUR)	€478,600
Countries	GE

Project/Programme	EU Innovative Action for Private Sector Competitiveness in Georgia (EU IPSC)
Implementer	UNDP
Start – end date	2019-2023
Description	The project aims at enhancing entrepreneurship and business sophistication by strengthening the capacities of government and local entities to develop and operate clusters and supporting companies directly with strategic investments and better connections to diaspora groups, while also demonstrating the effectiveness of these strategies to businesses.
EU Budget (EUR)	€5 million
Countries	GE

Project/Programme	Green Economy: Sustainable Mountain Tourism and Organic Agriculture (GRETA)
Implementer	Austrian Development Agency (ADA)
Start – end date	2018-2023
Description	The project supports the creation of new opportunities and increase in beneficiaries income in the two growth sectors of mountain tourism and organic agriculture, with actions to support the Government of Georgia’s legal and policy framework and to help Georgian SMEs to professionalise and scale up.
EU Budget (EUR)	€3 million
Countries	GE

Project/Programme	Increasing Institutional Capacity for Innovation
Implementer	World Bank
Start – end date	2018-2022
Description	The Action aims at increasing the ability of Georgia’s Innovation and Technology Agency (GITA) ability to effectively coordinate the government’s approach to innovation policy formulation and implementation.
EU Budget (EUR)	€2.7 million
Countries	GE

Priority area 3: Improving knowledge base and business skills

CLOSED	
Project/Programme	SBS Programme - BAS+EGP in EaP Countries (TAM/BAS)
Implementer	EBRD
Start – end date	2010-2015
Description	The EBRD's Business Advisory Services (BAS) and Enterprise Growth Programme (EGP) provide individual and customized technical assistance to help micro, small and medium-sized enterprises adapt to the demands of a liberal market economy, and develop the capacities of local SMEs as well as local business advisory services.
EU Budget (EUR)	€10 million
Countries	Region

CLOSED	
Project/Programme	Community Development through Social Entrepreneurship
Implementer	ICIRLD
Start – end date	2015-2017
Description	The programme provides sustainable community development and enhances the capacity of civil society organisations (CSOs) to generate income via social entrepreneurship projects.
EU Budget (EUR)	€289,379
Countries	AM

CLOSED	
Project/Programme	Support to the European Business Association Armenia
Implementer	European Business Association (EBA)
Start – end date	2016-2017
Description	The project supports the European Business Association (EBA) in Armenia, which acts as a voice for the European Business Community and promotes integration and cooperation between Armenia and the EU, as well as advocating for improvements to the business environment, encouraging foreign investments and working to improve the relevant legislative framework.
EU Budget (EUR)	€60,000
Countries	AM

CLOSED	
Project/Programme	Advice to Small Businesses - Phase I
Implementer	EBRD
Start – end date	2013-2018
Description	Implemented by the European Bank for Reconstruction and Development (EBRD), Advice for Small Businesses Programme aims to promote good management in the micro, small and medium-sized enterprise (MSME) sector by providing direct technical assistance to individual enterprises, thereby helping them to grow their businesses. The first phase of the programme aimed to prepare companies for investment, and to assist emerging mid-sized businesses to become more creditworthy and, therefore, more bankable.
EU Budget (EUR)	€8 million
Countries	Region

Priority area 4: Improving access to markets

Project/Programme	Eastern Partnership: Ready to Trade - an EU4Business Initiative
Implementer	ITC
Start – end date	2017-2020
Description	The project helps small and medium-sized enterprises (SMEs) from Eastern Partnership countries integrate into global value chains and access new markets with a focus on the European Union (EU). The intervention will assist SMEs in producing value-added goods in accordance with international and EU market requirements, while linking them with buyers from global value chains and markets, in particular within the EU. As part of this process, the assistance will improve sector specific services to SMEs along the selected value chains by strengthening the capacity of local business support organisations (BSOs).
EU Budget (EUR)	€6 million
Countries	Region

Project/Programme	SME Development and DCFTA in Georgia
Implementer	GIZ
Start – end date	2015-2019
Description	The project supports the implementation of DCFTA-related institutional and regulatory reforms in Georgia. It lays the ground for strengthening the SME sector to ensure broad-based growth, by increasing the competitiveness of Georgian SMEs and ensuring their adaptation to the new regulatory environment enabling them to benefit from the opportunities under the DCFTA.
EU Budget (EUR)	€5.034 million
Countries	GE

Project/Programme	Support to the quality infrastructure framework within a DCFTA context in the Republic of Moldova
Implementer	Project Group Italy
Start – end date	2017-2020
Description	The project supports the efforts of the Moldovan government to progress in key areas of the DCFTA, linked to the improvement of public governance and economic recovery and growth, i.e. quality infrastructure, market surveillance, internal and external markets and opportunities, and competitiveness awareness in the context of the AA/DCFTA.
EU Budget (EUR)	€3.684 million
Countries	MD

Project/Programme	Visibility and Communication for actions related to AA / DCFTA implementation in the framework of the EU-funded assistance programmes
Implementer	Project Group International
Start – end date	2017-2019
Description	The project carries out a range of communications actions to raise awareness of the benefits of full implementation of the Association Agreement (AA) and the Deep and Comprehensive Free Trade Area (DCFTA) and to encourage full participation of businesses to take advantage of the opportunities offered. It also packages and provides relevant practical information and sources of support to businesses to support them in this direction.
EU Budget (EUR)	€1.9 million
Countries	MD

Priority area 4: Improving access to markets

Project/Programme	Clusters 4 Development - Better Business Sophistication in Georgia
Implementer	GIZ
Start – end date	2019-2023
Description	The project contributes to the EU-funded Programme ‘Economic and Business Development in Georgia’ by strengthening the policy framework to facilitate the development of SME clusters, developing clusters in three sectors.
EU Budget (EUR)	€5.3 million
Countries	GE

CLOSED

Project/Programme	East Invest I
Implementer	EUROCHAMBRES
Start – end date	2010-2017
Description	East Invest is a regional investment and trade facilitation project that contributes to the economic development of the region and to the improvement of its business environment, developing networking between the EU and the Eastern Partner countries and between the Eastern partners themselves, in productive sectors identified as priorities.
EU Budget (EUR)	€4.6 million
Countries	Region

CLOSED

Project/Programme	East Invest II
Implementer	EUROCHAMBRES
Start – end date	2014-2017
Description	East Invest II ran concurrently with East Invest 1, focusing more specifically on DCFTAs and providing training to BSOs and SMEs on doing business with the EU, complemented by visiting potential EU business partners and learning how to do business in Europe through the Roadshow Facility of East Invest 1.
EU Budget (EUR)	€4.8 million
Countries	Region

Key performance indicators

1.1	Indicator	Annual value of export sales of supported SMEs per EaP country at the start of the intervention and at completion/end of implementation.
	Indicator Type	Outcome
	Indicator Definition	Annual value of export sales of supported SMEs reported on individual firm level at the start and at the end of the intervention (TA or inclusion in a loan portfolio), per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance D: Improving access to markets
1.2	Indicator	Annual turnover of supported SMEs per EaP country at the start of the intervention and at completion/end of implementation.
	Indicator Type	Outcome
	Indicator Definition	Annual turnover reported per supporting SME, reported on individual firm level measured at the start and at the end of the intervention, per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance C: Improving knowledge base / business skills D: Improving access to markets
1.3	Indicator	Average loan tenor provided to SMEs, disaggregated per products (e.g. microfinance, etc.)
	Indicator Type	Outcome
	Indicator Definition	Average number of months/years of the loans provided to SMEs, split per products.
	Measurement unit	Months
	Relevant objective	A: Improving access to finance
1.4	Indicator	Total value of loans disbursed to SMEs by PFIs and IFIs supported by EU4Business programmes
	Indicator Type	Outcome
	Indicator Definition	Total value of loans disbursed to SMEs by PFIs and/or IFIs directly.
	Measurement unit	EUR
	Relevant objective	A: Improving access to finance
1.5	Indicator	Number of SMEs that received loans from PFIs and IFIs through EU4Business programmes, per EaP country
	Indicator Type	Outcome
	Indicator Definition	Number of SMEs that received financial support (loans) from PFIs and IFIs through EU4B programmes. (For current projects, if the number of enterprises is not reported, report on the number of loans provided to SMEs as a proxy indicator).
	Measurement unit	Number of SMEs
	Relevant objective	A: Improving access to finance

1.6	Indicator	Number of women-led SMEs that received loans from PFIs and IFIs through EU4Business programmes, per EaP country
	Indicator type	Outcome
	Indicator definition	Number of women that received financial support (loans) from PFIs and IFIs through EU4B programmes. (For current projects, if the number of enterprises is not reported, report on the number of loans provided to SMEs as a proxy indicator).
	Measurement unit	Number of women-led SMEs
	Relevant objective	A: Improving access to finance

2.1	Indicator	Jobs supported by EU4Business programmes per EaP country
	Indicator type	Output
	Indicator definition	Number of jobs (FTE) in the SMEs, at their inclusion date, receiving support under the EU4Business projects per EaP country.
	Measurement unit	Number of FTEs
	Relevant objective	A: Improving access to finance D: Improving access to markets

2.2	Indicator	Number of SMEs supported by EU4Business programmes providing advisory services, per EaP country
	Indicator type	Output
	Indicator definition	Number of SMEs which received advisory support, either from EU4Business resources only or blended with third party resources, per EaP country.
	Measurement unit	Number of SMEs
	Relevant objective	A: Improving access to finance C: Improving knowledge base / business skills D: Improving access to markets

2.3	Indicator	Number of people in SMEs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of people that received training/coaching under EU4Business projects from SMEs per EaP country. TA for SMEs only.
	Measurement unit	Number of people
	Relevant objective	All objectives

2.4	Indicator	Number of women in SMEs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of women that received training/coaching under EU4Business projects from SMEs, per EaP country- TA for SMEs only.
	Measurement unit	Number of women
	Relevant objective	All objectives

2.5	Indicator	Number and names of PFIs involved in EU4Business programmes (financial support), per EaP country
	Indicator type	Output
	Indicator definition	Number of unique PFIs participating in financial facilities (receiving loans or guarantees or subsidies), per EaP country.
	Measurement unit	Number of PFIs
	Relevant objective	A: Improving access to finance D: Improving access to markets
2.6	Indicator	Number and names of PFIs involved in EU4Business programmes (technical assistance), per EaP country
	Indicator type	Output
	Indicator definition	Number of unique PFIs receiving technical assistance (advisory services, training, networking support), per EaP country.
	Measurement unit	Number of PFIs
	Relevant objective	All objectives
2.7	Indicator	Number of people in PFIs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of people from PFIs that received training/coaching under EU4Business projects, per EaP country.
	Measurement unit	Number of people
	Relevant objective	All objectives
2.8	Indicator	Number of women in PFIs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of women from PFIs that received training/coaching under the EU4Business projects, per EaP country.
	Measurement unit	Number of women
	Relevant objective	All objectives
2.9a	Indicator	Total volume of loans/guarantees/capital investments to PFIs for on-lending to SMEs with support of EU4Business programmes, in local currency per EaP country
	Indicator type	Output
	Indicator definition	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of EU4Business programmes, in local currency per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance

2.9b	Indicator	Total volume of loans/guarantees/capital investments to PFIs for on-lending to SMEs with support of EU4Business programmes, in foreign currency, per EaP country
	Indicator type	Output
	Indicator definition	Total volume of loans/guarantees/capital investments to PFIs for on lending to SMEs with support of EU4Business programmes, in foreign currency, per EaP country.
	Measurement unit	Euro
	Relevant objective	A: Improving access to finance

3.1	Indicator	Number of new jobs
	Indicator type	Outcome
	Indicator definition	Number of jobs created (difference between jobs at start and jobs at end).
	Measurement unit	Number of jobs
	Relevant objective	A: Improving access to finance C: Improving knowledge base / business skills D: Improving access to markets

3.2	Indicator	Number of BSOs supported with capacity building
	Indicator type	Output
	Indicator definition	Number of BSOs supported with capacity building under EU4Business projects per EaP country.
	Measurement unit	Number of BSOs
	Relevant objective	All objectives

3.3	Indicator	Total number of people trained or coached (Total: SMEs, PFIs, BSOs)
	Indicator type	Output
	Indicator definition	Number of people trained or coached supported under EU4Business projects per EaP country. (Total: SMEs, PFIs, BSOs)
	Measurement unit	Number of people
	Relevant objective	All objectives

3.4	Indicator	Number of people in BSOs trained or coached per EaP country
	Indicator type	Output
	Indicator definition	Number of people in BSOs trained or coached per EaP country under EU4Business projects.
	Measurement unit	Number of people
	Relevant objective	All objectives

3.5	Indicator	Number of people participating in events
	Indicator type	Output
	Indicator definition	Number of people (SMEs, BSOs and PFIs) that participated in events (conferences, fairs, information sessions), organised under EU4Business projects.
	Measurement unit	Number of people
	Relevant objective	All objectives

3.6	Indicator	Laws (drafted)
	Indicator type	Outcome
	Indicator definition	Number of drafted / changed laws as a result of an EU4Business project.
	Measurement unit	Number of laws
	Relevant objective	B: Tackling inadequate policy & regulatory framework

3.7	Indicator	Laws (implemented)
	Indicator type	Outcome
	Indicator definition	Number of adopted laws which were implemented as a result of an EU4Business project.
	Measurement unit	Number of laws
	Relevant objective	B: Tackling inadequate policy & regulatory framework

3.8	Indicator	Number of assisted enterprises that report an increase in their international trade flows
	Indicator type	Outcome
	Indicator definition	Number of assisted enterprises that report an increase in their international trade flows.
	Measurement unit	Number of enterprises
	Relevant objective	D: Improving access to markets

Annex C:

Details on data sources

NR.	Project	Implementer	Reports analysed for the period 2018	Reports analysed for the period 2016-2017	Reports analysed for the period 2009-2015
1	SME Finance Facility - Phase I - EBRD/KfW	EBRD/KfW	PR 2018	PR Jan-Dec 16 KfW: Update for 2016 report PR Jan-Dec 17 KfW: Update for 2017 report	PR Jan-Dec 14 PR Jan-Dec 15 KfW: KfW updates for 2013, 2014 and 2015 reports
2	SME Finance Facility - Phase II - KfW	KfW	PR 2018	PR Apr-Jun 17 PR Apr-Dec 17	
3	SME Finance Facility - Phase II - EBRD	EBRD	PR 2018	PR Jan-Nov 17	
4	SME Finance Facility Phase I - EIB	EIB	PR 2017 PR 2018	PR Jan-Dec 16	PR Dec 10-Dec 14 PR Jan-Dec 15
5	SME Finance Facility - Phase II - EIB	EIB	PR 2018	PR Oct-Dec 17	
6	EFSE (Neighbourhood Window of the European Fund for South East Europe - ENR Component)	KfW	PR 2017	PR Jan-Dec 16	PR Jan-Dec 15
7	EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	KfW	No reports available yet		
8	Women in Business	EBRD	PR 2018	PR Jan-Dec 16 PR Jan-Dec 17	
9	DCFTA Initiative East (EIB)	EIB	PR 2018	PR Jan-Dec 17	
10	EU4Business - EBRD Credit Line - Phase I	EBRD	PR Jan-Jun 2018	PR Jan-Dec 16 PR Jan-Dec 17	
11	EU4Business - EBRD Credit Line - Phase II	EBRD	PR Jan-Jun 18	PR Jan-Dec 17	
12	DCFTA Direct Finance Facility /DCFTA SME Direct Support Facility	EBRD	PR Jan-Dec 17	PR Jan-Dec 16	PR Sep 14-Dec 15
13	Financial Sector Institution Building and Crisis Response	EBRD	PR Nov17-Oct 18	PR Nov 15-Oct 16 PR Nov 16-Oct 17	PR Nov 10-Oct 11 PR Nov 12-Oct 13 PR Nov 14-Oct 15
14	Framework for Capacity Building to Support Financial Intermediaries in Azerbaijan and Georgia	EBRD	PR Jul17-Jun 18	PR Jul 15-Jun 16 PR Jul 16-Jun 17	PR Jul 13-Jun14 PR Jul 14-Jun 15 PR Jul 15-Jun 16
15	Armenia SME Finance and Advice Facility	EBRD	PR Jul-Dec 17 PR Jan-Jun 18 PR Jul-Dec 18		
16	Support to SMEs in rural areas	Organisation for SME Sector Development	No reports available yet		
17	Filière-Du-Vin	EIB	Project closed	PR Jan-March 16 PR Apr-Jun 16 FR Sept 14-Sept 16	IR Sep-Nov 14 PR Apr-Jun 15 PR Jul-Sep 15

NR.	Project	Implementer	Reports analysed for the period 2018	Reports analysed for the period 2016-2017	Reports analysed for the period 2009-2015
18	Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP)	World Bank	PR Jan-Dec 18	PR Jan-Dec 16 PR Jan-Dec 17	Programme Plan Apr-Dec 13 PR Apr-Dec 13 PR Jan-Dec 14 PR Jan-Dec 15
19	FORBIZ	GFA	PR Oct17-Mar18 PR Apr-Sep 18	PR Mar 16- Sep 16 PR Oct 16-Mar 17 PR Apr 17-Sep 17	
20	EU4Business: From Policies to Action	OECD	PR Sept17-Aug 18		
21	Financial Inclusion and Accountability	World Bank	No reports available yet		
22	SME Competitiveness Reforms	OECD	Project closed	PR Nov 14-Mar 16 FR Nov 13-Jun 17	PR Nov 13-Oct 14 PR Nov 14-Oct 15
23	Advice to Small Businesses - Phase II	EBRD	PR Jan-Jun 18 PR Jul-Dec 18	PR Jan 16-Jun 16 PR Jul 16-Dec 16 PR Jan 17-Jun 17 PR Jul 17 -Dec 17	
24	Support to SME Development in Armenia (SMEDA)	GIZ	PR Jan-Dec 18	PR Jan 16-Jan 17 PR Jan-Dec 2017	
25	DCFTA Adaptation Programme (DAP) - Support for SME Competitiveness in Georgia	EBRD	PR Jan-Jun 18 PR Jul-Dec 18	PR Jan-Jun 16 PR Jul-Dec 16 PR Jan-Jun 17 PR Jul-Dec 17	
26	EU4Business: Network of Business Support Centres in Ukraine	EBRD	PR Jul-Dec 17 PR Jan-Jun 18 PR Jul-Dec 18	PR Apr-Sept 16 PR Oct 16-Mar 17 PR Jan-Jun 17 PR Apr-Sep 17	
27	Boosting competitiveness of regional SMEs	SMEDNC of Armenia	PR Jan-Dec 18	PR Dec 16-Jun 17 PR Dec 16-Dec 17	
28	Boosting technological development in Shirak Marz	MICAF	PR Dec16-Jun 18	PR Jan-Dec 17	
29	Promoting Community-based Agritourism as a Rural Regeneration Strategy	LGA	PR Nov17-Jul 18		
30	Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan	Azerbaijan Micro-finance Association (AMFA)	No reports available yet		
31	Support to the development of small family businesses in the Sheki-Zagatala Economic Zone through ABAD regional centre in Balakan	UNDP	PR Dec 17-Nov 18		
32	Advice For Small Businesses in Belarus	EBRD	PR Jul17-Dec 17 PR Jan-Jun 18 PR Jul-Dec 18		
33	Local Economic Development in Belarus (LED)	UNDP	No reports available yet		

NR.	Project	Implementer	Reports analysed for the period 2018	Reports analysed for the period 2016-2017	Reports analysed for the period 2009-2015
34	Georgia on European way: Creation of Effective Model for DCFTA and SME Strategy Implementation	EESC	PR Apr 17-Apr 18		
35	Engaging Civil Society in the Implementation of the EU-Georgia Free Trade Agreement and SME Policy	KAS	PR May 17-May 18	IR May-June 17	
36	EU Innovative Action for Private Sector Competitiveness in Georgia (EU IPSC)	UNDP	No reports available yet		
37	Green Economy: Sustainable Mountain Tourism and Organic Agriculture (GRETA)	Austrian Development Agency	No reports available yet		
38	Increasing Institutional Capacity for Innovation	World Bank	No reports available yet		
39	SBS Programme - BAS+EGP in EaP Countries (TAM/BAS)	EBRD	Project closed	Project closed	PR Jan-Jun 12 PR Jan-Jun 15 Final report Dec 10-Dec 15
40	Advice to Small Businesses - Phase I	EBRD	PR Jan-Jun 18 PR Jul-Dec 18	PR Jan-Jun 16 PR Jul-Dec 16 PR Jan-Jun 17 PR Jul-Dec 17	PR Jan-Jun 15 PR Jul-Dec 15
41	Community Development through Social Entrepreneurship	ICIRLD	Project closed	PR Oct 15-Oct 16 FR Oct 15-Dec 17	
42	Support to the European Business Association Armenia	EBA	Project closed	PR Mar-Dec 16 FR Mar 16-Sep 17	
43	Eastern Partnership: Ready to Trade	ITC	PR Sept 17-Aug 18		
44	SME Development and DCFTA in Georgia	GIZ	PR Dec 17-Nov 18	PR Nov 15-Nov 16 PR Dec 16- Nov 17	
45	Support to the quality infrastructure framework within a DCFTA context in the Republic of Moldova	Project Group Italy	PR Sep 17-Feb 18 PR Mar-Aug 18	IR Sept-Oct 17	
46	Visibility and Communication for AA / DCFTA	Project Group International	PR Mar-Aug 18 PR Sep 18-Feb 19	IR Sep 17-Oct 17 PR Sep 17-Feb 18	
47	Clusters 4 Development - Better Business Sophistication in Georgia	GIZ	No reports available yet		
48	East Invest I	EUROCHAMBERS	Project closed	PR Dec 15-Nov 16 FR Oct 10-Aug 17	PR Oct 10-Nov 11 PR Dec 11-Nov 12 PR Dec 12-Nov 13 PR Dec 13-Nov 14 PR Dec 14-Nov 15 PR Dec 15-Nov 16
49	East Invest II	EUROCHAMBERS	Project closed	PR Oct 15-Mar 16 PR Apr-Sep 16 PR Oct 16-Mar 17 FR Sep 14-Dec 17	IR Sep 14-Mar 15 PR Apr-Sep 15 PR Oct 15-Mar 16

Note : IR= Inception Report ; PR= Progress Report ; FR= Final Report

Assumptions made in the analysis of the reports

Depending on the quality of reports received and the period covered by those documents, several types of assumptions had to be made when computing KPIs' values related to projects from the portfolio. Depending on the type of assumption, the impact on the accuracy of the figures can be rather low or high. In all cases, assumptions tend to drive KPIs' values away from reality by either decreasing or inflating numbers.

Assumptions made are classified in four categories.

Year split

The first type of assumption made was done in splitting figures between years for reports covering parts of 2017 and 2018. When a progress report describes achievements which partially occurred in 2017 and partially in 2018, the logic followed was to divide the numbers between 2009-2017 and 2018 based on the number of months reported respectively in 2017 and in 2018 in the report.

Even though those assumptions can concern any KPIs, the impact of such assumption is rather limited. Indeed, applying a year split between 2017 and 2018 might only wrongly minimize/maximize the progress made between 2009-2017 and 2018. While looking at the overall results for the whole implementation period, KPIs' values for a particular project remain accurate.

Country split

Another type of assumption made consisted in splitting figures between countries and is applied when no more detailed information than "people from the 6EaP countries took part in training/event" can be retrieved in the report. In such cases, the assumption made was to divide the total number by 6. Furthermore, when the number couldn't be divided in equal parts, either remaining people were assigned to the country where the event/training took place, or remaining people were distributed to predominant countries in other trainings/events.

Note that even though the impact of such assumptions can be quite high, it concerns only regional projects, which means less than half of the projects from the portfolio (20/49 projects).

Type of trainings

The third assumption made while monitoring projects from the portfolio consisted in assigning a type of people participating in training based on the topic of the seminar. When feasible and when the training content is clearly mentioned, the assumption was made to assign the training to one of the following: BSOs, SMEs or PFIs.

However, when no distinction could easily be made between the types of trainings, the split wasn't done and the total number of people joining the training was assigned to 'total people trained (SME, BSO, PFI)'. In such cases, the lack of precision and information in the reports induces a loss of information and less reliable values of KPIs.

This type of assumptions is more frequent and has a high impact as it might minimize the progress made in crucial EU4Business goals. This is for example the case for the number of people in BSOs trained and the number of BSOs supported with capacity building, which contribute to the 'empowering BSOs' goal. If no distinction can be made between BSOs/SMEs/PFIs trainings, the number of people trained will not be counted in BSOs trained, which will lead to a KPI value set to zero. As this particular KPI is considered as a key indicator for priority area 2, this could prevent us from seeing progress made in that particular priority area.

Type of people participating in events/trainings

The last type of assumption made was done on the number of people participating in events/trainings. In our monitoring framework, those two KPIs should only be related to BSOs, SMEs and PFIs. However, in most of the reports, the numbers reported for people participating in events/trainings also include other type of people, such as journalists for example. In many cases, no information is given to allow us to extract irrelevant types of people from the total count of attendants to events/trainings. As a consequence, figures reported in the present report for events and trainings tend to be higher than in reality.

As a recommendation and in order to allow accurate figures, the level of detail of the reports should be increased. Furthermore, in order to avoid any misunderstanding, it would be helpful to have a summarizing table at the end of each report including dates, type of events, events' topics, number and type of participants, and if possible the countries involved.



THIS PROJECT IS FUNDED BY THE EUROPEAN UNION

This publication has been produced with the financial support of the European Union. The contents of this publication are the sole responsibility of the Consortium led by EY and can in no way be taken to reflect the views of the European Union.